

# THE OECD **OBSERVER**

## *Life-long Learning*

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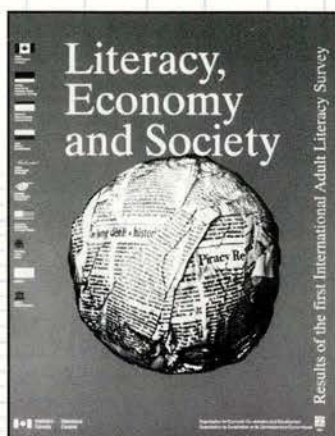
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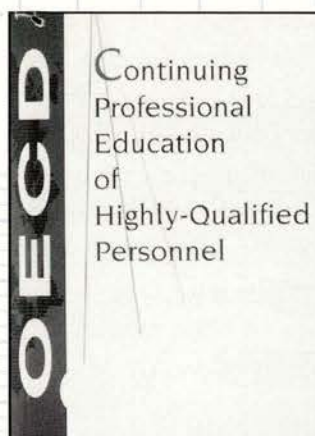
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*Published jointly by Statistics Canada and the OECD*

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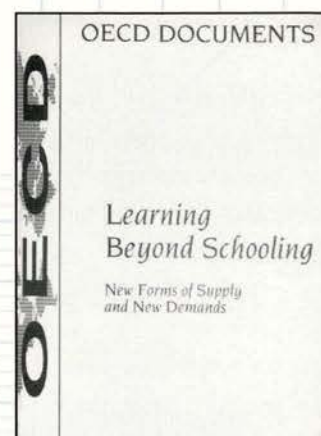


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(91 96 01 1) ISBN 92-64-14690-3, April 1996, 220pp  
France: FF180; elsewhere: FF235 US\$46 DM68



Published every two months  
in English and French by the  
ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT

**Editorial Address:**

OECD Publications Service  
Château de la Muette  
2 rue André-Pascal  
F 75775 PARIS CEDEX 16  
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**Single copies:**

France: FF25

Elsewhere: FF30 - US\$6 - DM9

**Annual Subscription Rates:**

France: FF130

Elsewhere: FF145 - US\$30 - DM46

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*More and more countries see education in earliest childhood not only as a means of combatting social inequalities but also as a solid basis for life-long learning.*

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# Strategies for a Learning Society

Jean-Claude Paye, Secretary-General of the OECD

**A**s we approach the turn of the century, the world economic and political order is undergoing profound and rapid change. Progress in technology, communications and international economic integration is intensifying. Knowledge and skills are becoming ever more important determinants of social and economic advancement. In order to meet these new economic challenges as well as fulfil personal, cultural and social goals, the reform of education and training systems has moved towards the top of policy agendas. Future economic prosperity, social cohesion, and full civic participation in democratic societies – all depend on a well-educated population.

It was against this background that the education ministers of OECD countries met last January at the OECD headquarters in Paris to review progress and chart the course for the education and training policies of their countries for the future. They stated their conviction that learning throughout life was crucially important for enriching personal lives, fostering economic growth and maintaining social cohesion. The aim of this approach is to equip every individual with the necessary foundations and to improve the motivation for continued learning throughout life.

Life-long learning has become essential for a number of reasons. The large and continuing shift to the service economy, the gathering momentum of globalisation and the increasing importance of knowledge and skills in production are constantly changing the skill profiles necessary in the job market. Unskilled jobs are fast disappearing in OECD countries. As new products and services appear more rapidly and people change jobs more often, frequent renewal of skills is required. As a result of these developments, there is a risk of new polarisation emerging between people who participate fully in the acquisition and use of knowledge and skills and those left on the margins of the 'information society'. The life-long approach responds directly to the necessity of developing in the OECD economies and societies the capacity to adapt and renew continuously. With its accent on each individual's capacity and motivation to learn, this approach has the potential to foster and unleash the innovative energies of

individuals, to strengthen social cohesion and democratic foundations, and to enable adaptation on the part of all actors in the economy.

Participation in education and training has been expanding in all OECD countries, yielding a more diverse array of options in response both to individual aspirations and interests as well as to broader social and economic demands. Yet there are still some major gaps in provision, and not enough attention has been paid to improvements in quality, including educational methods in particular. System-wide changes are necessary to ensure the quality and coherence of provision, to avoid inefficient use of resources and to take full advantage of advances in pedagogy and in information technologies.

Although excellent early childhood education is well-established in some OECD countries, most have yet to improve access, raise quality and identify ways in which pre-school programmes can operate in partnership with the families of young children. These measures are of fundamental importance, since educational disadvantage which is not addressed early is likely to persist throughout life. A sizable proportion of young people – some 15–20% in many countries – still leave school without adequate qualifications, knowledge or skills. They consequently face particular difficulties in the transition to work – especially as high volumes of unemployment persist in many OECD countries. Furthermore, many adults have not been able to develop an adequate base for life-long learning. In many OECD countries, up to a third of the adult population has attained only minimum standards of literacy and numeracy, placing them at particular risk of long-term joblessness.

Enhancing motivation, the key for life-long learning, has major implications for schools. Learning provision in many countries is often characterised by rigid structures and practices – in curricula, placing students by age, fixed and narrow timetables and an emphasis on learning by rote. In the future, schools will have to offer individualised and accredited programmes to learners of all ages.

Curriculum content and methods of delivery should be com-



bined with more supple frameworks to encourage self-directed learning and permit a more flexible response to the diverse aptitudes and backgrounds of students. Institutions in most systems ought to teach a wider diversity of skills, including 'learning to learn' and other critical cross-curricular skills. Also, a better balance has to be struck between theoretical knowledge and its practical application. The opportunities for wider access offered by the new information technologies – including mass media and distance-learning – have yet to be fully exploited, as have innovative approaches to student-centred teaching methods. Schools should be viewed as important, and flexible, social assets; they should be used as 'community learning-centres' offering a variety of programmes and learning methods to a diverse range of students, remaining open for longer hours throughout the year.

The myriad links between education, training and work are another area requiring close attention. High priority must be given to the availability of a broad range of options after compulsory schooling, especially in upper-secondary and the first years of higher education, smoothing the transition to working life. A more fluid relationship between learning and work will be necessary in the future. An initial period of full-time education will have to be followed by various combinations of work (full- or part-time), training and education, to be provided through enterprises, schools and institutions of higher education.

A strategy for life-long learning involves many participants and requires a rethinking of roles and responsibilities. A field that is already complex becomes all the more so because of the variety of the contents, media, methods and settings of learning, as well as the involvement of a large number of institutions and individuals. Partnerships between the public and private sectors provide the most effective and promising means of implementation. The responsibility for delivering this broader concept of learning ought not, therefore, to be shouldered by governments alone, while more effort is required to ensure coherence and consistence between the institutions involved.

How the responsibilities for financing life-long learning are shared is a critical question, especially in times of budgetary restraint. A more equitable alignment of the sharing of costs with the distribution of the benefits, backed up by a system of appropriate incentives, is necessary to mobilise additional investments in life-long learning. A range of options should be examined: partnerships with business, tuition fees, deferred contribution schemes, and the best mix of loans and grants to students. Taking account of their different circumstances, countries will have to strike a new balance between the contributions of individuals, employers and workers, and of society as a whole.

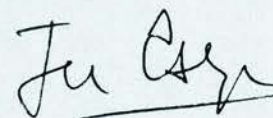
A programme for life-long learning for all is necessarily a long-

term and moving target, and it will have to be implemented progressively. OECD education ministers made a commitment to put in place a broad strategy for life-long learning, adapted to the circumstances of each country, with action directed at:

- strengthening the foundations for learning throughout life, by improving access to education in early childhood, particularly for disadvantaged children, revitalising schools and supporting the growth of other formal and non-formal arrangements for learning
- promoting coherent links between learning and work, by establishing 'pathways' and 'bridges' that will facilitate more flexible movement between education and training on the one hand and work on the other (aimed in particular at smoothing the initial transition between the two), and by improving the mechanisms for assessing and recognising the skills and competences of individuals – whether they are acquired through formal or non-formal learning
- rethinking the roles and responsibilities of all institutions – including governments – who provide opportunities for learning
- creating incentives for more investment in life-long learning by individuals, employers and the providers of education and training, thereby delivering better value for money.

In an increasingly interdependent world, individual choices as well as collective policy decisions must draw on information, research, evaluation and analyses that go beyond national frontiers. An appropriate knowledge base is critical for informed decision-making. Based on the ministerial discussions, the OECD plans to undertake work in a range of areas in order to deepen knowledge on the implementation of life-long learning strategies. These areas include: the school of tomorrow; new forms of teaching and learning appropriate for adults; investment in life-long learning and the sharing of costs and benefits; the development of human resources; the flexibility of enterprises, new technologies and work organisation; and thematic reviews of the progress made in the realisation of life-long learning.

A programme of life-long learning involves a major change in attitudes towards learning by all members of society. The education ministers have made a commitment to seek to establish an environment that fosters this goal. Nevertheless, success will depend on similar commitments from all those involved. With this co-operation, there is reason to believe that, as the 21st century begins, the strategy endorsed at the meeting will usher in a new era of life-long learning for all.





# The School of the Future

Abrar Hasan and Alan Wagner

*Will schools be able to adapt themselves to the demands – foreseen and unforeseen – made of them now and in the next century? The explosion of information and technology and the upheaval in working practices which have marked the last two decades will continue, contributing to more varied and dynamic career profiles and increased opportunities for participating more actively in social, cultural and civic life. The school has a central role to play, in helping to develop in each pupil a core of knowledge and skills, a capacity for adapting to change, and above all, a motivation and ability to learn and re-learn over a life-time.*

Profound changes in the labour market mean that specific preparation for particular jobs may quickly become obsolete, both because of advances in knowledge and technique and because of rapid shifts by enterprises seeking to meet consumer demands in an interdependent, global economy.

Schools, which are charged with preparing individuals to cope with such an environment, are also subject to the influences of massive social shifts, which place additional demands on their flexibility in teaching and their role in the community. Family structures are varied. Ethnic and cultural diversity brought about by a complex world-wide pattern of migration has

rendered it impossible to treat the body of pupils in most schools as a homogeneous entity.

Moreover, schools, families and the immediate social circle are no longer the only sources of information for children. The electronic and print media, not least television, are readily available, and their influence on – and potential for the development of – young people represents a major factor in thinking about the school of tomorrow.

## What Should Children Learn?

The role of schools in laying a foundation for continuous future learning has been recognised in the identification of a range of 'cross-curriculum' skills required by every young person.<sup>1</sup> Instead of expressing the core curriculum in terms only of traditional subjects, it is possible to see it as a common foundation of transferable skills –

embracing moral reasoning and action, mathematical/analytical skills and their applications, scientific approaches to mastering and applying technical knowledge, information and communication science, cultural, civic and economic studies, arts, health and the environment. These skills enable learning to be carried on outside the school, and allow the development of critical abilities and of the capacity to identify the knowledge required, to find and integrate it into what is already known.

One likely practical consequence of this approach is the division of the core curriculum into a range of 'modules' for each subject area, a number of which will amount to a prescribed course. That will allow for a wide range of content in each subject, to match the interests and background of pupils, while maintaining the coverage of a specified number of subject areas. Examples of how these arrangements can work are provided by the US National Education Commission on Time and Learning in its report *Prisoners of Time*.<sup>2</sup> One strategy is team-teaching, in which groups of teachers, often from different disciplines, work together with students.

Behind such a curriculum lies a broader issue: that of the overall goals of school education.<sup>3</sup> One of these is preparation for life in the adult world of work and social relationships. School systems will therefore have to take into account the values they teach, to include the norms of tolerance, of non-violence and of respect for difference.

## How Should Pupils Learn?

It seems clear that teaching methods will have to change, for two reasons. First, there is widespread criticism of the abilities demonstrated by graduates of existing systems, not least in their mathematical, communicative and analytical skills. Second, because of the pace and nature of change in society and in the labour-market, mass initial education can no longer concentrate on a basic set of performance skills – reading, writing and calculation – and a minimum common range of 'factual' studies; instead, pupils

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Are traditional ways of learning on the way out? Some pupils may find co-operative learning more natural than the competitive approach that tends to predominate today.

have to develop thinking skills and the ability to learn in later life.<sup>4</sup> They must 'learn to learn' – that is, the learner's own ideas and experiences should be used to stimulate and develop a motivation to learn, with learning thus occurring as far as possible in context (for example, through undertaking a test of the water purity of a local reservoir as part of a chemistry or biology class). Research suggests that in many cases

learning is most effective when groups of learners engage in a common task, using 'real-life' tools. In other words, people learn best when they are involved in learning in an active fashion and understand its purpose.<sup>5</sup>

Since no two people learn in the same way, it may be that the traditional classroom approach, in which content and speed are largely determined by the teacher, is less effective than generally supposed. Some pupils may, for example, find co-operative learning more natural than the competitive, individual approach which predominates in many schools, especially in courses leading to examinations. Nonetheless, if learning is to occur, each person will have to develop the habit of setting goals, planning his or her work, and checking progress. In the early stages, pupils will require help, but they will gradually require less and less coaching, counselling and correction of errors.

In practical terms, such a change in approach will require the definition of an individual 'learning path', monitored and changed as and when required with the agreement of both school and pupil (as well as parents or guardians). Naturally, broad bands of pupils will continue to form classes in particular subjects, but they will no longer spend the major part of their lesson time necessarily engaged on the same task and advancing through the syllabus at identical speed, thereby demotivating both the quickest and the slowest.

## Measuring Learning

If there is to be less standardisation in teaching, some form of individual profile of achievement will become more important, both for the self-esteem and motivation of the learner, and as a guide for prospective employers.<sup>6</sup> Such profiling should, first, be used diagnostically during any programme of education. If, as has often been the case, an examination provides a mark of failure and has no remedial follow-up, it demotivates both learner and teacher. But if it demonstrates weaknesses which are then addressed, it will have served its purpose. Second, assessment should result in certification as soon as a learner has achieved a given standard in any module. National examinations at more or less fixed ages have traditionally marked a rite of passage between different strata of education – except, that is, for those whose passage is blocked by failure, when such barriers often mean an end to learning. But in the context of life-long learning they are only a single stage.

A modular approach, indeed, does not mean that each pupil should, say, receive a nationally accredited certificate once a term in every subject. Instead, internal certification of achievement should be strengthened where appropriate, and attainment of a nationally fixed standard marked in each subject by an appropriate certificate. Testing by reference to a criterion of performance rather than by reference to a statistical norm (whereby roughly fixed percentages of those examined are allocated to each grade, from ex-

1. Malcolm Skilbeck, *Curriculum Reform: An Overview of Trends*, OECD Publications, Paris, 1990; *The Curriculum Redefined: Schooling for the 21st Century*, OECD Publications, Paris, 1994.

2. US Government Printing Office, Washington DC, 1994.

3. *Performance Standards in Education: In Search of Quality*, OECD Publications, Paris, 1995.

4. *Learning to Think, Thinking to Learn*, OECD/Pergamon Press, 1991.

5. S. Raizen, 'Learning and Work: The Research Base', in *Vocational Education and Training for Youth*, OECD Publications, Paris, 1994.

6. *Curriculum Reform: Assessment in Question*, OECD Publications, Paris, 1993.



# The School of the Future

## FOCUS

### Exploiting New Technologies

*In the 1980s, in France, the Netherlands and the United Kingdom, government programmes started supplying at least one computer to each primary school, and larger numbers to secondary schools, thereby ensuring some consistency in hardware. Since then, both in those countries and elsewhere, much other hardware has also been acquired. But there is a difference between installing computers and using them. The potential for self-teaching is huge, particularly as computers can respond immediately to learners' input by correcting it. This facility can release teachers from the routine checking of facts and can free pupils to devote more energy to exploring other issues. But such potential cannot be tapped until each pupil has access to a PC for long-enough periods.*

*In a number of European countries, Australia and the United States, access through cable to networks and/or satellite television is available; and the use of interactive video has also been explored in France. But there is as yet no consistent access by schools to the electronic networks of information, such as the World Wide Web.*

*Just as there seems to be no consistency in policies for acquiring hardware, the provision of adequate learning software also varies enormously between languages, subjects and strata, leading to some scepticism over the suitability and effectiveness of computer-based materials. Teachers also fear that by opening up the school to learning packages which speak more directly to pupils than traditional printed materials, they will lose control over the learning process and will not be able to mediate between the source of information and the pupil. This worry does, indeed, raise the question of who creates and monitors the content of learning materials which are likely to have at least as wide a distribution as textbooks. Technical expertise is required also if pupils' access to public networks is to be limited to vetted educational materials. Finally, large-scale training of teachers in the full exploitation of hard- and software has not yet been put in place. But the technological revolution within isolated computer rooms is unavoidable, so that teachers and administrators will have to adopt an outward-looking approach of exploiting the new media rather than merely coming to terms with them.*

cellence to failure) is already well established. And many pupils who now sit examinations will not do so immediately, because they agree with their teachers that they are not ready. They will nonetheless have a profile which indicates how far they have progressed.

### School for All

In the modular school of the future, children from all backgrounds can more easily find a place. But how can it accommodate pupils with no interest in what schools have to offer and who slide into a pattern of truancy and failure? How can this system of giving pupils more responsibility for their own learning, and of respect for moral values, cope with those who still reject it?

Programmes of early intervention are being tried in an attempt to identify those children at most risk and, through early childhood education, to strengthen their ability to succeed in primary schools.<sup>7</sup> The Head Start programme in the United States, initiated in 1965, delivers health and social services in addition to education. In 1990, 20% of the total population of three- to five year-olds whose family income fell below the poverty line were covered by Head Start, and although IQ testing has shown no conclusive effects, improvements in children's quality of life and patterns of social behaviour have been noted.

Other countries, not least France and the Netherlands, have also invested in education for children of pre-school age. The assumption is that favourable attitudes towards schools and intellectual development is thus encouraged.

The concept of 'school readiness' is already current in some countries, particularly the United

States, as a guide to when children should enter primary school although care should be taken to ensure that social readiness is given its due weight alongside intellectual development.

At the other end of the age-range, the minimum leaving-age, consideration could also be given to obliging pupils who fail to reach a prescribed standard in core skills to remain at least part-time in education. Those who wish to leave school at the earliest opportunity would have thus an incentive to meet the standard. And between the ages of entry and leaving, pupils could repeat individual modules rather than whole years, thus maintaining their motivation.

### Continuity and Change

A picture of the primary and secondary school of the future is beginning to emerge, both of its physical shape and of the typical activities which will be carried out inside. Schools will certainly exist much in their present form, with classrooms serving as bases for pupils and for teachers who will oversee their learning and social development. But that oversight will be concerned to a larger extent with the monitoring of progress and agreeing a learning plan with each member of the class or group. Unless the school has a lot of space, the classrooms will also have to serve as flexible spaces for individual work and groups of varying size.

The resource centre and library will play an increasingly important role. In secondary schools it is likely that every subject area will have its own technology and communications area, with both school-based electronic resources and online access to distance-learning (box, left).<sup>8</sup> Each pupil will use a computer of some sort, on which exercises, experiments and creative writing can be carried out. Paradoxically, it may well be mathematics which is the subject that makes least use of new technologies, as pupils will still have to learn the concepts behind computation.

In Finland, France and Scotland, experimental new school-buildings have been designed specifically to suit the requirements of learning based on new technologies, with more flexible

7. *Our Children at Risk*, OECD Publications, Paris, 1995; Peter Evans, 'Tackling Educational Disadvantage', *The OECD Observer*, No. 186, February/March 1994.

8. *Redefining the Place to Learn*, OECD Publications, Paris, 1995; Pierre Duguet, 'Education: Face-to-face or Distance?', *The OECD Observer*, No. 194, June/July 1995.

9. See pp. 14-18.

10. Michael Hacker, 'Using Schools after Class Hours?', *The OECD Observer*, No. 189, August/September 1994.





The school of the future may well be more a resource centre, using its facilities after hours to develop a strong relationship with the surrounding community.

teaching spaces and fewer conventional classrooms than in other schools. Enlarged resource centres are already being created on the basis of existing libraries with the addition of video film, compact disc, interactive software and CD-ROM resources; educational multimedia and video discs are also starting to appear.

The importance of socialisation will remain, and become even more important as individual study grows as a proportion of learning time. Each child, particularly at younger ages, will require a secure base and a peer-group, however much learning is carried out at home using a domestic computer, or alone or in a small group in school. Yet this socialisation does not have to be restricted to classroom activities: it can take the form of sports and cultural events, as in the adult world.

One of the more marked trends over the last two to three decades has been the increase in the average size of schools. Access to remote sources of teaching by electronic links provides an opportunity to rethink this policy. It will become feasible to keep smaller units open, with local staff integrating distance-learning when necessary. Pressures on transport systems and a desire to reduce unnecessary damage to the environment may encourage such a change in policy, particularly in rural areas.

A further factor in determining the nature of the school environment will be the potential for enlarging the relationship with the surrounding community. Already, some systems of adult education are sending adults to join younger students at school, a phenomenon which will increase as the practice of continuing education beyond school years spreads. With the integration of work experience into secondary education,<sup>9</sup> the school will also be opened up to other influences and the presence of adults from the world of work.

School hours are not immutable, neither in their daily length nor the pattern of annual holidays. Facilities are wasted outside the normal hours of a short school day, even if adult education may make partial use of premises in the evenings and at weekends.<sup>10</sup> If schools are to become truly flexible centres of learning for their pupils and the surrounding community, in probable association with other social services (including libraries), some consideration will have to be given to changes in opening hours.

■ ■

All of this may appear wishful thinking. But changes in society and the labour market already have given added significance to the importance of life-long learning. The school of tomorrow

therefore has to play a key role in teaching a core of knowledge and skills and imparting a motivation to learn and relearn. This new role can be achieved with the implementation of a more flexible curriculum and school programme, giving emphasis to cross-curricular skills and individualised instruction; a strengthened capacity of teachers, through improvements in their initial and continuing training; and wider, more appropriate use of new technologies and media. Countries will have to work out how the responsibilities and costs for these changes are to be shared among young people and their parents, teachers, businesses and trade unions, and higher education as well as government. But, if steps can be taken to implement the changes, the school of the future will be able to find its place, in a rapidly evolving world, to be the bedrock of each person's progress through life. ■

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# Life-long Learning: Who Pays?

Edwin Leuven and Albert Tuijnman

*The commitment to life-long learning calls for the strengthening of the foundations for a learning career. It requires the improvement of access to, and the quality of, education in early childhood, a revitalisation of primary and secondary education, the combating of school failure, and the provision of adequate means for life-long learning. But how strong is the case for the increased investment that will be required? How can costs be controlled and effectiveness improved? And what financing schemes for life-long learning would be appropriate?*<sup>1</sup>

Formal education and training systems in the OECD countries have proven to be investments that to a large extent pay for themselves. They yield substantial and measurable returns in the form not only of rising standards of living but also in higher productivity, increased individual well-being and wealthier societies. Social and private returns are both high. But the social rates of return tend to decrease with higher steps of educational attainment, where private returns are high.<sup>2</sup> Life-long learning can therefore be viewed as an investment that will bring similar benefits. But its costs are likely to be high, too, and additional financial resources may be necessary.

It can be safely assumed that governments will continue to regard it as their responsibility to pay for the primary and secondary education of all children and younger people, since the

social benefits are so high. But the expansion and reform of basic education that life-long learning will necessitate will have repercussions for the financing of other sectors of education, particularly higher and adult education and training. To maintain quality in expanding systems of mass higher education, additional funding may well be required – and that at a time of general fiscal constraint.

Usually, governments are the principal funders of formal education, although there are substantial differences among countries in the extent of private funding. Figure 1 (p. 12) shows total and private expenditure on education for all strata of formal education.<sup>3</sup> Although private contributions to formal education are relatively low, institutional arrangements that incorporate partnerships (for example, the apprenticeship system in the German-speaking countries) are apparently an important factor in raising private resources for educational investment.

A recent study by the OECD and Statistics Canada discovered that over 20% of the adult populations of the seven countries investigated –

Canada, Germany, the Netherlands, Poland, Sweden, Switzerland and the United States – have literacy and numeracy skills of only the most basic standard.<sup>4</sup> A large number of people who thus lack a proper base for life-long learning stand a particular risk of long-term unemployment. This is an argument for the provision of adult basic education. But subsequent learning occurs also in the workplace, and since people who have already attained better standards in initial education tend to benefit from more training from their employers, learning in the workplace can contribute to a widening of skill differences.

Financial arrangements for life-long learning should create the appropriate incentives for the different participants. Putting such a framework into place not only requires a firm commitment from all the people involved; there is also a price tag attached. Extra spending will be unavoidable, but governments may find it beyond their financial reach. The burden will therefore have to be spread, costs contained, and new and more cost-effective approaches to learning examined.

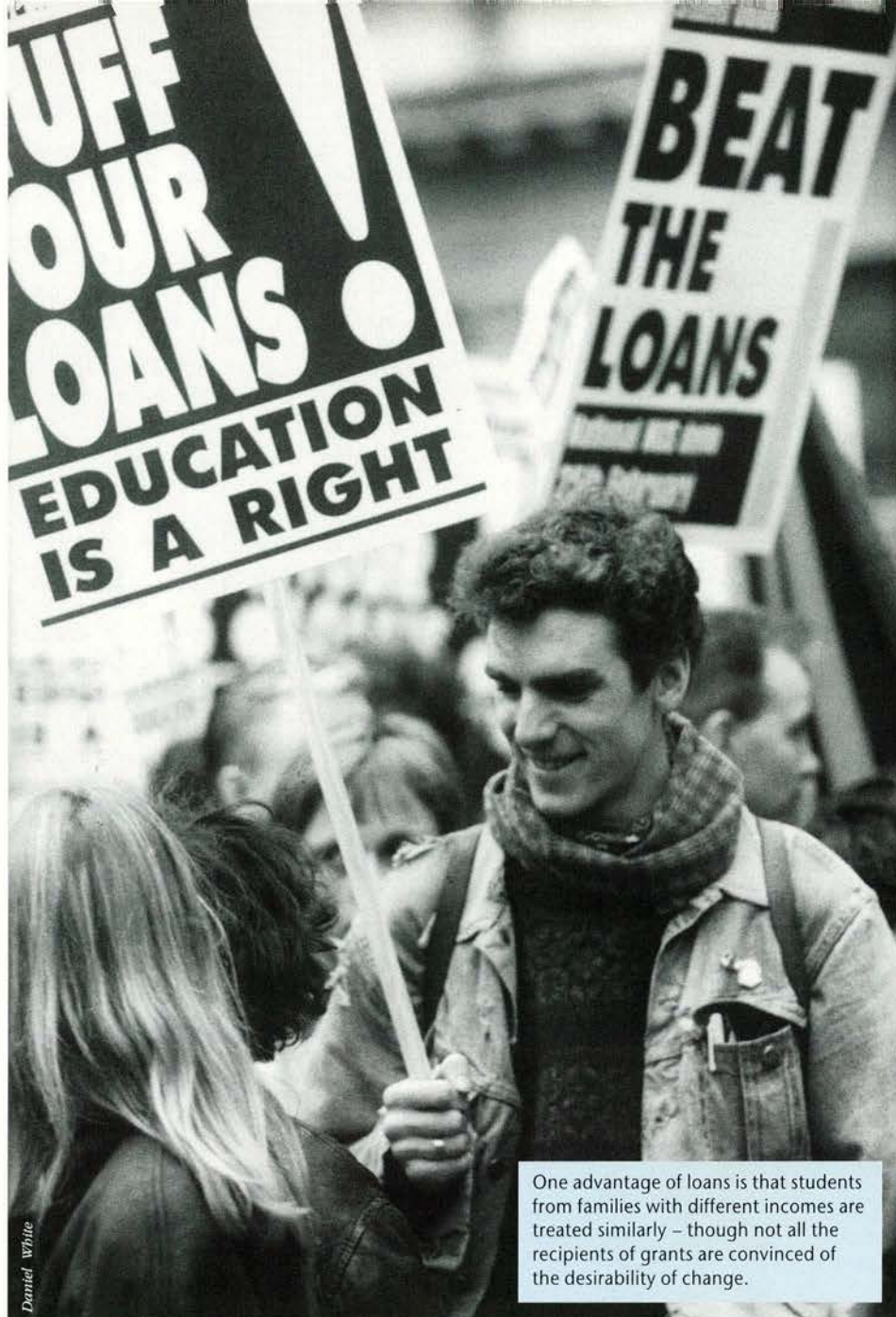
## Controlling Costs

Ways of operating more efficiently must be examined. A first step is to set realistic targets for life-long learning systems, established through accurate information about costs and expenditures. The most important component of spending on education, since education and training are labour-intensive, is the wages and salaries of teachers and other staff – about 80% of current expenditures in 1992. On average, the share of the recurrent budget devoted to teachers' salaries is larger in primary and secondary education than in higher education.

Expenditure per student is one indicator of cost. Although the data currently available are limited, the figures can serve as a rough guide to what it will cost to enrol an extra student. The most important feature of such per-student or unit costs is that in most OECD countries they are substantially bigger in higher education than in primary and secondary. That is because of

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One advantage of loans is that students from families with different incomes are treated similarly – though not all the recipients of grants are convinced of the desirability of change.

higher salaries, a larger proportion of support and administrative staff, and higher capital expenditures. Figure 2 (p. 13) shows that expenditure per student increased from 1985 to 1991 in foundation education (where average annual growth equalled 4.8% for early childhood education and 2.8% for primary) and secondary (2.4%), whereas they appear to be only slightly increasing for higher education (1.2%). This may

be an indication that governments recognise the high social returns to state funding of the earlier forms of schooling, and are re-examining public and private responsibilities for financing these foundations.

The labour-intensive character of initial education reduces the direct scope for saving. In higher education considerable gains in efficiency have already been realised in a number of countries, and there is scope for even more. New teaching methods that are both effective and efficient might provide a partial solution – computer-aided instruction, for example. But the role of the teacher will remain central to basic education. Curious and competent teachers together with involved parents are necessary to teach children how to learn, but once people have acquired this ability, self-instruction comes into focus. Distance-learning can prove to be an

effective and cost-saving tool as it offers considerable economies of scale, because of its large elements of fixed costs and relatively small variable costs.<sup>5</sup>

Another way of controlling costs might be the move towards more competitive markets for learning. That requires scrutiny of how much governments should be involved in education and training. Liberalisation of such markets will call for policies promoting equal access and the recognition of skills and competences. National frameworks of standards and competency profiles will be crucial for overcoming imperfections in the transmission of information and increase efficiency in decisions on investment in human capital.

## What Financial Arrangements?

One can distinguish between two general concerns in the financing decisions of government – efficiency and equity. Efficiency arguments arise from price distortions in education markets, decisions on whether to work or not, and the liquidity constraints people face. Equity considerations suggest equal access for people with different social backgrounds as well as a fair allocation of public subsidies to different strata of education – bearing in mind the private returns they yield. These subsidies should be focused on underprivileged groups and on forms of learning that generate high benefits to society; the financial arrangements should exhibit a high degree of flexibility and must not discriminate against life-long learning.

One should apply these considerations to budget allocations. A guiding principle should be that 'the beneficiary pays'. The role of government in upper-secondary schooling is not necessarily all-encompassing. Arrangements like the dual system in Germany, Austria and Switzerland are based on substantial support from employers, thereby smoothing the transition from school to work and capturing part of the cost normally shouldered by the government. Because higher education generally leads to large gains in private earnings, it would seem natural

1. *Making Lifelong Learning a Reality for All*, OECD Publications, Paris, forthcoming 1996.

2. N. Alsalam and R. Conley, 'The Rate of Return to Education: A Proposal for a New Indicator', in *Education and Employment*, OECD Publications, Paris, 1995.

3. *Education at a Glance: OECD Indicators*, OECD Publications, Paris, 1995.

4. *Literacy, Economy and Society: Results of the First International Adult Literacy Survey*, OECD Publications, Paris and Statistics Canada, Ottawa, 1995.

5. Pierre Duguet, 'Education: Face-to-face or Distance?', *The OECD Observer*, No. 194, June/July 1995.



# Life-long Learning: Who Pays?

to ask individuals to contribute in some way to the costs. The challenge lies in realising this end in a way that is both equitable and efficient.

Different financing mechanisms have different consequences for efficiency and equity. Governments seem to be in agreement about their major responsibility for the financing of primary and secondary education. But there is not yet such a consensus about a range of new proposals to finance post-secondary education and training in a framework of life-long learning – partnerships with businesses and parents, charging tuition fees, deferred contribution schemes, and individual entitlements, to name but a few.

An example of a deferred contribution scheme can be found in Australia. There the Higher Education Contribution Scheme (HECS) was introduced in 1989. Students are expected to pay 23% of the average cost of each year of their studies.

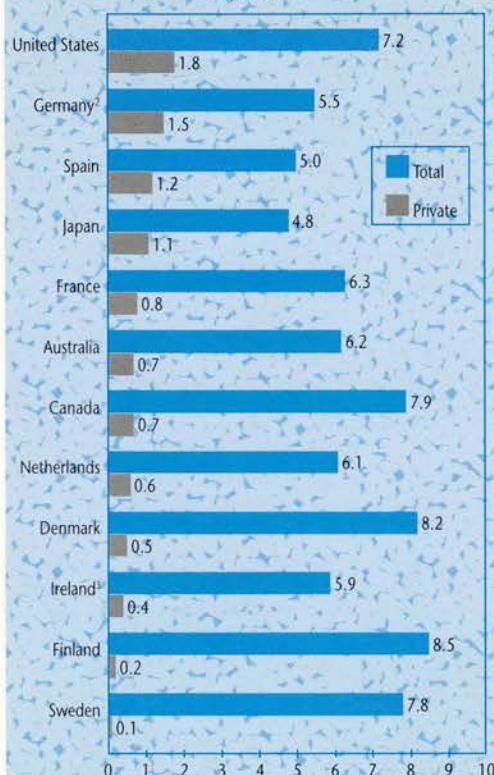
In this way the student builds up a liability which has to be repaid after the student leaves higher education. These repayments are conditional on income. This is essentially an interest-free loan system in which the repayments are collected by the tax office even though this is not a tax.

The HECS should not be confused with another (more general) proposal to co-fund higher education, in the form of a graduate tax. This is essentially a deferred contribution scheme in which students get a loan which they 'repay' through an extra tax later on. This model has the advantage that it treats students from low-income families (who otherwise should have taken out a loan) in the same way as students from high-income families (who do not require a loan).

Governments may also increase tuition fees for higher education to shift the financing towards private sources to make students contribute to their education and possibly to attract additional resources in the system. This should put an incentive on students to make more efficient choices, and it would stimulate institutions to focus on what students want. Tuition fees can generate revenues but they also affect the distribution of subsidies, and to the extent that they reflect marginal cost, they increase efficiency in the choice of courses and the allocation of funds. So different schemes for levying tuition fees will obviously have different consequences. Fees can be set to vary by student, by type of purchase or a combination of these. The Netherlands, for example, charges the same fee to all students in higher education. As a consequence, those who pursue more expensive studies obtain larger subsidies.

But higher fees could make education appear to be more expensive and thus less attractive because the student pays, whereas with low or non-existent tuition fees the taxpayer foots the bill. Although taxation may give the impression of being a cheaper way of funding higher education, in truth it creates welfare losses. Raising and diversifying fees can be thus justified from both efficiency and equity points of view. But they should be complemented with a scheme of

Figure 1  
Total and Private Education Expenditure,<sup>1</sup> 1992  
% of GDP



1: The distinction between education funds originating in the public and private sectors is based on the initial source of funds and does not reflect subsequent transfers between the public and private sectors. The expenditures shown as private payments to educational institutions consist mainly of tuition and other fees paid to educational institutions by students of households but exclude public subsidies to households and other private entities for payments to educational institutions for educational services. Total expenditures reflect direct government expenditure for public and private educational institutions and payments of households and other private entities to educational institutions. Public subsidies have been excluded where necessary to avoid double counting.

2: Western Germany only; 1991.

3: 1991.

Source: OECD



Since private returns on higher education are usually high, there is an argument for shifting more of the burden of funding onto students themselves.

financial aid to safeguard equal access since liquidity constraints faced by individuals can seriously undermine the outcome.

For life-long learning a promising model, though one criticised in a number of countries, is a combination of educational entitlements and income-contingent loans. The basic idea behind entitlements is that, instead of providing the suppliers of education and training with a subsidy, the government gives entitlements to students (or to their parents in the case of early education). The attractiveness of this proposal lies in



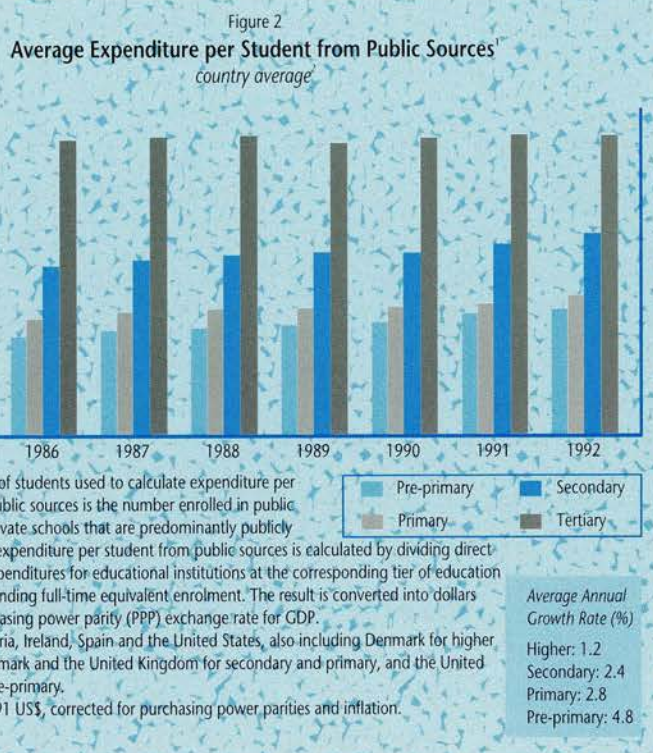
the possibility of varying the loan and grant part of the entitlements (thereby taking care of the social background of the student and lifting liquidity constraints), and of incorporating adult education and training markets in a single financial arrangement.

Investment in training immediately related to a job has a clearly perceptible return in the form of earnings. Although it is difficult to link training expenditures to productivity and company performance, there is some evidence that training increases productivity. Recent studies have found that (for manufacturing firms in the United States) the beneficial effects of training depend on complementary investments in technology.<sup>6</sup> Tax regimes have been used to encourage both employers and learners to make higher contributions. There is an example in 'parafiscal' funds, whereby employers pay a levy that is put in a fund. This money has to be spent on training. The basic idea is to stimulate employers to train their employees. The use of levies on payroll, labour-turnover, capital value or profits could be extended, the funds raised being used to cover vocational and general adult education for people in work. Levies, too, have been criticised, tried and dropped in a number of countries. Putting in place levy-based systems increases the administrative burden for companies; moreover, it is not clear whether these levies are used efficiently.

It is not clear how effective these measures are. It may be necessary for employers to make a more exact assessment of the total costs of the

6. L. Lynch, 'Employer Training in the Manufacturing Sector: First Results from the United States', paper prepared for the Conference on Enterprise Training Strategies and Productivity, The World Bank, Washington DC, June 1995.

7. Graham Vickery and Gregory Wurzberg, 'Intangible Investment: Missing Pieces in the Productivity Puzzle', *The OECD Observer*, No. 178, October/November 1992.

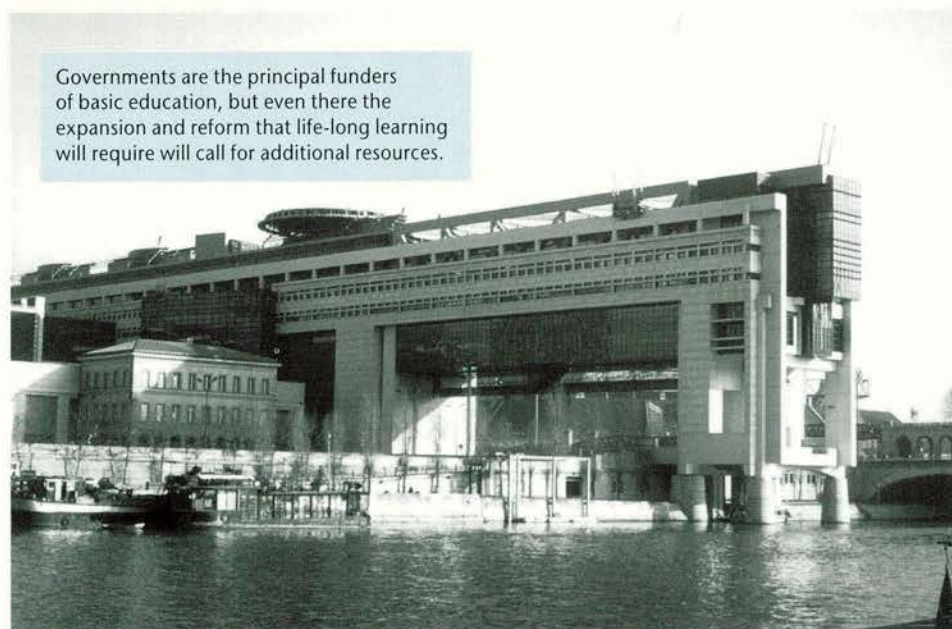


training associated with life-long learning to be able to distinguish such 'investment' from other recurrent costs. It might also be helpful to find ways of 'capitalising' the costs of life-long learning in such a way that the value they add to an enterprise is taken into account as an asset.<sup>7</sup>

have both strong points and drawbacks. It is clear that because educational systems differ – and policy concerns vary within these systems – one has to rely on combinations of the different finance models. In establishing mixed models of finance, governments should take the lead in

Updating the skills of the unemployed should remain a priority. Active labour-market programmes require public support since training can function both as a redistributive policy instrument and an efficiency measure. This puts additional pressure on public budgets. OECD governments should therefore investigate innovative ways to engage in partnerships also within the public sector, cutting across departmental responsibilities. In Australia and the United Kingdom, instructively, employment and education are in the same portfolio.

All the financing schemes that have been put forward





# Linking

devising an appropriate strategy for financing life-long learning that incorporates the concerns and requirements of individual learners, institutions and employers.

■ ■

If the costs of post-compulsory education can be shared with both learners and employers, the prospect of life-long learning becomes realistic. With or without government action, there will be an inevitable increase in the amounts of initial upper-secondary and higher education, and of adult education and training. But government action is necessary to ensure that it does not benefit only the people able to afford education privately or to have it paid for by their employers. To fund only certain parts of life-long education and to leave all the rest to an entirely free market would simply endorse inequality and waste much talent that could produce economic benefits. A structural and financial framework that enhances learning at every stage in life is therefore required.

Additionally, recognition still has to be given to the social benefits of education, which are unquantifiable but real and justify a degree of continuing government commitment to post-compulsory provision. Education expenditures are an investment also in general economic well-being. But since the benefits necessarily lie in the future, proper accounting is necessary before investment in human capital can be evaluated and stimulated. ■

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Abrar Hasan and Albert Tuijnman

*If the first step on the path through adult life – from education to employment – is unsuccessful, it is probable that all subsequent transitions between jobs, and in and out of education and training, will be difficult. Schools must therefore provide the foundation for the transition to work. But as societies and economies change, and demands on people evolve, these foundations may have to be re-acquired time and time again. It is for this reason that ministers of education and labour are interested in improving the links between education and work.*

The school-leaving age has risen in all OECD countries since the 1960s. Yet in many countries 15–20% of the relevant age group still leave school at an early age, often without useful qualifications or knowledge or skills directly useful for jobs (Table 1, p. 16). Some employers perceive the education system as failing on several counts. They criticise both the broad relevance of what is taught and the abilities acquired, basic skills such as reading, writing and calculation, and general knowledge of how the world works. But the signals coming from the labour market are mixed, since other employers require not generic but vocational skills that are useful for jobs.

One issue that arises is how initial, continuing and vocational educational and training can be better linked with work, in the framework of a fluid relationship between education and the labour market, and as features of each individual's progress through life. Another issue is that a new balance is required between the general and vocational elements of education in schools. Structural changes to the system of initial education may be necessary to link it more success-

fully with employment. But other aspects of the labour market also require scrutiny.

One salient feature is the average duration of employment in any one job (the median tenure), which varies substantially among OECD countries. Obviously, shorter periods in jobs mean more transitions, both between jobs and between employment, unemployment and education or training. The relationship between tenure and on-the-job training is evident: workers who stay for a shorter period with a given employer are less likely to receive training, and less likely to be selected by subsequent employers. By contrast, those who receive training are more likely to stay, partly because they recognise the employer's commitment to them, often made manifest by a rise in salary, but also because the training may be specific to that working environment and not be valued by other potential employers.

Another feature of the labour market across OECD countries is that unemployment affects young people more severely than older groups (Table 2, p. 17). Moreover, educational attainment is a factor in employment, as people without upper-secondary qualifications are between five and eight times more likely to be unemployed than adults with upper-secondary or higher education.<sup>1</sup> But although factors besides educational status affect the ease with which jobs can be found, there is a clear indication of a

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# Education and Work

Serge Attal



Although traditional apprenticeships exist in France, the growing use of *alternance* requires students to divide their time between formal education and training in an enterprise.

mismatch between jobs and what young people in particular can offer prospective employers. Apparently, the earlier people leave school, the more difficult it is to find and keep a job. Continuing education and training further compound this relationship, as employers invest much more resources in well-educated workers than poorly educated workers.

## What Value in Vocational Training?

The best-known example of work-based vocational education is the 'dual' system practised in Germany, Austria and Switzerland, and its variants in Denmark and the Netherlands. Apprentices who have completed lower-secondary general education are recruited and paid by employers but continue to spend one or two days a week in vocational schools and the remainder of the time with the firm, learning a trade. This system appears to have had a number of advantages over vocational learning in schools: lower drop-out rates; direct access by students

to the latest technology and methods used in the real world; direct experience by employers of the aptitude and motivation of students, which are not reflected in school certificates; learners' becoming accustomed to working behaviour and employers' expectations; and possible advantages in the total cost of provision. But now there are indications that the dual system may be in difficulty, as young people in some countries increasingly seek a broad and general education, and as employers fail to provide a sufficient number of traineeships.

Other systems offer varying amounts of vocational preparation in upper-secondary education. School-based vocational education has been seen by some as an alternative for those deemed unable to continue with academic learning. This view of vocational education as second-rate has been a persistent one, and is one reason that authorities have been unable to establish parity of esteem between vocational and general education. Increasingly, school systems are trying to bring the two streams closer together. In Japan, for example, recruitment systems in practice usually judge recruits on the

basis of their performance in general education, despite the existence of vocational colleges for some occupations, and rely on on-the-job training for career development.

## Forging Closer Links

In recent years, a number of initiatives have addressed the weaknesses of vocational preparation in schools and other educational institutions, in their lack of direct links both with the labour market and with academic courses, with a view to making the transition from initial education to work gradual rather than abrupt.

France, for example, has instituted a vocational diploma (*baccalauréat professionnel*) as a counterpart to general and technical diplomas. At age 15, after four years of lower-secondary school, most students either continue in a three-year upper-secondary programme leading to a general or secondary diploma, or enter a two-year vocational programme. In 1985, the vocational diploma was introduced, giving graduates of the two-year programmes the option of obtaining a diploma after two further years. Since the introduction of the vocational diploma, much more use has been made of *alternance* (work-based learning), although a few traditional apprenticeships still exist in France. Students are required to spend at least 16 weeks in an enterprise, although their performance has no effect on the award of the diploma. The apparent success of the scheme has led to the extension of *alternance* to the two-year vocational courses which precede the optional diploma course.

There have been similar developments elsewhere. In Sweden students in the new three-year upper-secondary programmes are obliged to spend 15% of their time in a workplace on an unpaid placement, conducting projects related to their courses. Korea has restructured its vocational secondary-school curriculum to include a full year in enterprises during the three-year programme; and opportunities for graduates of these vocational courses to enter university are to be

1. *Education at a Glance: OECD Indicators*. OECD Publications, Paris, 1995.



# Linking Education and Work

Table 1  
Total Enrolments in Secondary Education, 1985 and 1992<sup>1</sup>  
%

	Age 16		Age 17		Age 18	
	1985	1992	1985	1992	1985	1992
<b>North America</b>						
Canada	94	96	69	72	31	37
United States	90	91	79	72	19	21
<b>Pacific Area</b>						
Australia <sup>2</sup>	14	79	..	59	..	14
Japan	92	95	94	90	..	..
New Zealand	68	88	33	66	6	21
<b>European Union</b>						
Belgium	90	97	81	94	40	50
Denmark	90	92	74	80	65	69
France	90	92	77	87	40	59
Germany <sup>3</sup>	96	95	92	93	76	82
Ireland <sup>4</sup>	79	88	57	70	21	33
Italy	52	..	44	..	34	..
Netherlands	93	97	77	91	51	68
Portugal	40	..	35	..	29	..
Spain <sup>5</sup>	58	76	51	67	27	36
United Kingdom <sup>4,9</sup>	49	75	31	55	9	19
<b>Other Europe-OECD</b>						
Austria	86	90	78	85	43	54
Finland <sup>4</sup>	88	95	82	86	65	80
Norway	84	93	75	87	60	77
Sweden	90	89	82	87	46	60
Switzerland	84	85	82	82	73	74
Turkey	29	39	13	34	9	20

.. not available

1. Net full-time enrolment rates.

2. Break in series after 1985.

3. Western Germany only.

4. Estimate.

5. Excluding students of unknown age – about 3% in upper-secondary education.

6. If part-time students are considered the enrolment rates are substantially higher: in 1992, 15% of 16-year-olds, 20% of 17-year-olds and 16% of 18-year-olds were enrolled on a part-time basis.

Source: OECD

expanded. Japan introduced a new 'integrated' vocational-academic upper-secondary curriculum experimentally in 1994, concentrating on career development: students have fewer compulsory subjects and are given career guidance to design their own course sequence.

In the Netherlands more young people have been attracted into vocational than general secondary education. One explanation may be that vocational courses are no longer 'terminal' since they now allow graduates to move on to further secondary and higher education. Conversely, the Netherlands has also gone a long way in en-

abling those who opt for academic education to switch over later to a vocational track.

In the United States, there has been a proliferation of programmes designed to integrate vocational and general education, following a decision by Congress that all federal money allocated to vocational programmes in the States must be spent on those which integrate academic and vocational teaching. There are now, for example, 'career academies' which organise the core curriculum of secondary education around an occupational theme, enabling their graduates to enter employment or to pursue studies in the same or a different discipline at a higher institution. Another recent innovation is 'tech prep', which combines academic and vocational curricula and links the last two years of secondary education with the first two of post-secondary. Further impetus has been given to such moves

by the passage of the School-to-Work Opportunities Act in 1994.

In other OECD countries, there have been recent attempts to create partnerships between educational institutions and firms, although as a rule these are not systematic because of the decentralisation of education. Australia is nonetheless establishing 'student traineeships' to allow those in upper-secondary education to combine school-based studies with both work-experience and off-the-job training, with the government paying for off-the-job training for up to 5,000 students by 1995-96. In the United Kingdom,

the government funds training credits which students can cash in with employers able to provide the training required; unlike traditional apprenticeships, this scheme will not require trainees to spend a fixed length of time in an enterprise.

A different approach to linking education with work is taken in the creation of school-based enterprises. In Denmark, for instance, such enterprises provide experience for students waiting for apprenticeship contracts with enterprises. And in the United States, a 1992 survey conducted for the National Assessment of Vocational Education found that 19% of secondary schools were operating some kind of enterprise that involved students in producing goods or services for other people. In the United States it is also

## FOCUS

### Training for the Unemployed

Particular concern is devoted throughout OECD countries to the training and retraining of the unemployed, particularly of those who have been out of work for extended periods. Yet such provision has been criticised for not matching the real requirements either of the labour market or of the unemployed, and thus for being used simply as a way of keeping the jobless occupied and reducing unemployment statistics.

There is some evidence as to what form of training for the unemployed is the most likely to succeed, although it must be admitted that training by itself has only meagre effects. It has generally been found that training for people with little or no experience of the labour market, particularly women, is more effective than for those who have dropped out of work. Intensive, enterprise-based training in the skills actually used and demanded in the labour market can be useful for young people, particularly if allied with job-search and placement schemes. Training for the unemployed therefore also has to be part of a life-long system of relevant incremental learning, and allied to other forms of support.



common practice for secondary-school students to take paid part-time work, although this falls outside any organised scheme.

## An Ideal Mix?

If an introduction to employment is an important part of initial education, where does that leave the suggestion that the purely vocational track has no place in secondary education? In truth, the two positions are not incompatible. What is required is a balance between general and vocational elements.

First, there are advantages in locating training for specific occupations in the workplace rather than in schools, since learning occurs best in realistic and technologically up-to-date environments. Second, employers are not a homogenous mass and thus do not agree on the skills they wish entrants to the labour market to possess: some would prefer a broad, liberal education, while others ask for more detailed understanding of working practices. Their common demands are nonetheless an ability to communicate, to calculate and to analyse, which are generic skills rather than specifically occupational. Third, there is the argument that no secondary-school course should close the door to higher education, since that would limit the opportunities for life-long learning which the labour market now requires. Fourth, although it may be more important for students intending to enter employment directly from secondary education to acquire general skills which can be used in a working environment and some awareness of the norms of that environment, in due course all students will require this knowledge. Lastly, non-vocational education tends generally to raise the self-confidence, social skills and thus employability of participants, and is therefore valuable not only to pupils considered 'academic'.

Table 2  
Unemployment Rates for One Year after Leaving Education  
and for Total Labour Force

%

and for Total Labour Force

		Students leaving				Unemployment in the labour force	
		Lower-secondary education	Upper-secondary education	Non-university higher	University education	Age	
						15-24	25-64
North America							
Canada	1988	..	..	8	9	18	10
United States <sup>1</sup>	1991	37	12	6	8	14	7
Pacific Area							
Australia <sup>2</sup>	1992	33	..	..	..	18	9
European Union							
Denmark	1991	9	15	11	12	11	11
France	1992	57	24	8 <sup>a</sup>	12 <sup>a</sup>	21	9
Ireland	1992	35	24	21	10	23	14
Italy	1992	..	..	..	39	33	7
Spain	1991	34	36	13	26	34	15
United Kingdom <sup>3</sup>	1993	15	13	..	..	15	8
Other Europe-OECD							
Finland	1990	17	6	2	1	23	11
Sweden	1992	16 <sup>b</sup>	5	..	..	11	4
Switzerland	1993	..	..	3	6	7	3

.. not available

1. Population of recent leavers deduced from data collected by retrospective household survey.

2. For all school-leavers.

3. England and Wales only.

a. 1989.

b. 1990.

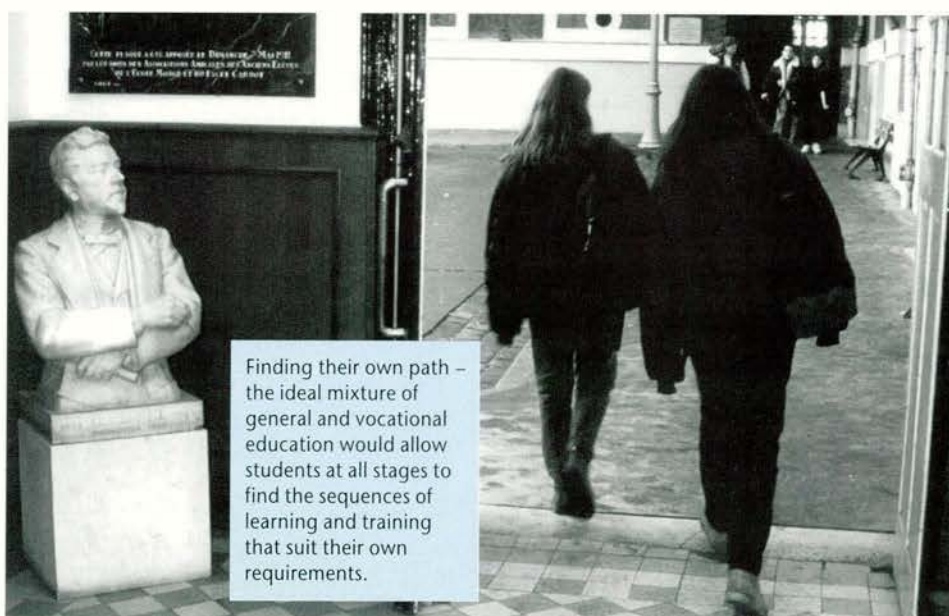
Source: OECD

terminal stages in the system are abolished and all students are assisted to find their individual paths through education and into the world of work. This initial period of full-time education would be followed, throughout an individual's working life, by sequences and combinations of organised learning on and off the job, which accompany or alternate with part- or full-time work.

The implication for school education is that entry into a vocational track should be postponed until the upper-secondary stage, and that such a track, which should contain general elements, should lead to training in a specific occupation with the involvement of a relevant enterprise, or to studies in higher education. Apprenticeships will then

continue to offer one way forward, provided that the initial skills acquired do not confine the learner to a single, narrow band of employment; they have to be sufficiently portable to survive the changes in working practices which will cer-

tain to offer one way forward, provided that the initial skills acquired do not confine the learner to a single, narrow band of employment; they have to be sufficiently portable to survive the changes in working practices which will cer-



Finding their own path – the ideal mixture of general and vocational education would allow students at all stages to find the sequences of learning and training that suit their own requirements.

Oliver Culnani/REA



# Linking Education and Work



Just the job? Taking up employment should not mean an end to education – but problems with accreditation often keep vocational and academic tracks apart.

tainly occur over a working lifetime but cannot be anticipated.

Attempts are being made to ensure that vocational courses are given a higher status. One avenue is accreditation through, for example, the introduction of standardised National Vocational Qualifications (for specifically vocational preparation) and General National Vocational Qualifications (for school-based pre-vocational learning) in the United Kingdom.<sup>2</sup> The work of the European Centre for the Development of Vocational Training (CEDEFOP) in seeking to standardise vocational qualifications across the member states of the European Union is also relevant. Yet one of the major drawbacks of most existing schemes for accrediting vocational learning is the lack of relationship to the academic track. Vocational and academic qualifications have to be made roughly equivalent if people are to be able to move easily between different types of education.

Many *ad hoc* arrangements are already made by authorities, educational institutions and employers to recognise a range of qualifications as equivalent to an identifiable norm. The solution would thus appear to be some form of national

arrangements for transferring credits, which would enable individuals to combine learning from a range of sources in order to attain benchmark qualifications – such as upper-secondary matriculation, craftsman status, higher-education diploma or university degree – which are commonly used as evidence of suitability for employment or entry into higher stages of learning.

## Guidance and Counselling

The most significant form of ancillary support for people seeking to transfer from education to a job is guidance and counselling on conditions in the labour market and the education and training opportunities available, together with practical assistance in identifying employers. Indeed, if life-long learning that is relevant and appropriate to each learner is to be a reality, a wider network of guidance and counselling will be required, and at all stages of life. Many schemes of career guidance, occupational assessment and job location already exist, alongside the advertising of courses by educational institutions, frequently associated with some form of counselling on entry. In addition, databases on secondary and tertiary education are avail-

able both in print and online. There may, indeed, be an excess of information.

But such information services are usually exploited most by those who require them least. The effects on unemployment and educational and occupational progression for individuals with low attainments have been marginal. What is therefore called for is a closer alliance between services providing guidance and counselling in employment and similar services in education and training, together with delivery both through workplaces and to people out of work. That requires personal contact, not merely impersonal information.

■ ■

There is no disagreement that vocational education should include the acquisition of basic general skills. Much academic education in schools, by contrast, makes no reference to likely employment. If work experience can be introduced into academic courses, pupils will not only acquire an insight into the realities of work but will also be better placed to make enlightened decisions about what form of higher education to pursue. By extension, it can also be argued that tertiary education itself in many cases has to pay more regard to the likely eventual occupational application of what is taught. What is necessary is a convergence between academic and vocational education, both in content and in structural arrangements. ■

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# Agricultural Markets from Now to 2000

Loek Boonekamp  
and Yves Cathelinaud

*For decades now, the real prices of agricultural commodities have been declining on world markets. This downward trend appears to be slowing, with real prices expected to stabilise over the next few years – but with wider swings along the way.<sup>1</sup>*

International markets for agricultural commodities, as for other raw materials, frequently experience sharp fluctuations. But the turn taken by the wheat market in the autumn of 1995 was most unusual: prices close on \$200 per tonne; stocks at their lowest for the past 20 years, having steadily diminished over the past three years; and a decision by the European Union (EU) to introduce a tax on wheat and barley exports. Faced with these developments, everyone involved in the market – producers, traders, consumers and governments – is now wondering what will happen over the next few years, not only with cereals, but with all agricultural commodities.

The forecasting of commodity markets is full of uncertainties simply because many important variables – from weather conditions to exchange

*1. Agricultural Outlook. Trends and Issues 2000. OECD Publications, Paris, 1996.*

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In spite of a sharp increase in production outside the OECD area, oilseed prices are expected to hold steady until the turn of the century.



# Agricultural Markets from Now to 2000

rates – are difficult or impossible to predict. Nonetheless, the OECD attempts every year to identify broad tendencies and analyses the main uncertainties for the five years to come. Working on the assumptions of economic growth, yield trends, and the like, that it considers to be the most plausible and also assuming that current agricultural policies will continue in place, it utilises a complex system combining forecasts by its member countries, calculations from its 'Aglink' model and expert opinions given at the meetings of the working groups of its Committee for Agriculture. The OECD repeats this exercise every year to take any new factors into account, such as the Uruguay Round agreement in 1994 and the recent agricultural policy changes in Canada in 1995. This procedure also allows more detailed analyses to be taken into account, such as those produced in the course of the Uruguay Round agreement, since the passage of time was necessary for the full implications of this agreement to be grasped.

## Cereals and Other Commodities

The outlook from now to the year 2000 suggests that cereal prices in 1996 are likely to fall sharply from the high positions attained in 1995 and then slowly decline to the end of the decade – although an important consideration is that prices in 2000 should be 10–20% above the average for the five years 1990–94. Real prices for wheat are forecast to remain approximately constant over the 1990s and reductions in those for coarse grains should be considerably smaller than during the preceding decades. A more

moderate decline in real prices is also expected for oilseeds, milk and dairy products.

Apart from a rebound in production in response to the high prices in 1995–96, the decisive factors in the medium term are continued strong growth in demand from developing countries and slower growth in production and exports from the OECD area. Indeed, in the OECD countries the situation is changing as a result of the reforms in agricultural policy.

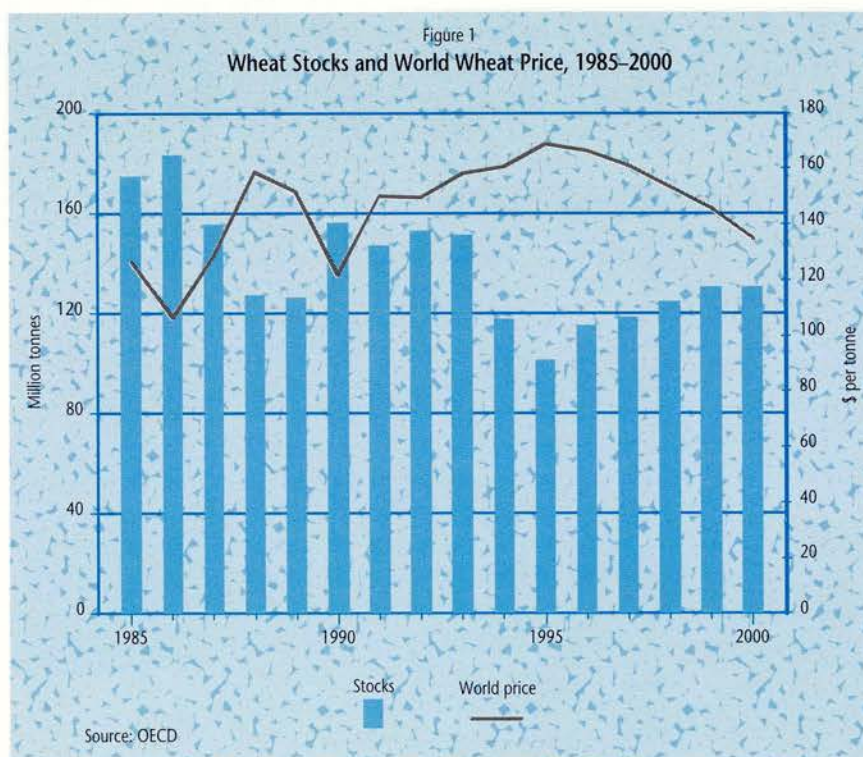
For several years now, the OECD countries have been reforming their agricultural policies with a view to phasing-out support to production and making more use of direct income-payments.<sup>2</sup> The Uruguay Round agreement has set a common frame for the multilateral reform of agricultural policies and trade and should continue to influence these policy changes in the future. Today, pressure to reduce budgetary deficits is encouraging OECD governments to move even further in this direction, which is also reflected in a reduction in government-held stocks. Production incentives will therefore arise less from government price guarantees and more

from the interplay of market forces.

In the cereals sector, the implementation of the Uruguay Round agreement will reduce the volume of subsidised exports. Those of the United States, for instance, should fall from about 22 million tonnes (mt) to a little over 16 mt and those of the European Union from around 30 mt to just over 23 mt by the year 2000. The reform of Canadian agricultural policy could reduce exports to the international market by up to 2 mt. An important element of these reforms was the abolition of freight subsidies which reduced the cost of long-distance transport across western Canada. After the 1992 reform of the Common

Agricultural Policy (CAP) in the European Union, the reform of the agri-monetary system will stop increases in prices in national currency whenever exchange rates between European Union countries are modified. The changes to be introduced by new farm legislation in the United States were not known at the time of writing. The institution of a more flexible system of support applied equally to all types of eligible crops, such as was agreed in Congress in November 1995, could encourage a shift from wheat production which used to be the main recipient, to other, more profitable crops. In addition, if cropland currently idled over the long term in the Conservation Reserve Program (CRP) were progressively brought back into production, this could generate additional output of some 15 mt of cereals by 2000, increasing the US exportable surplus.

These changes in the cereals markets will have an impact on the markets for the other commodities. In addition, many of these commodity

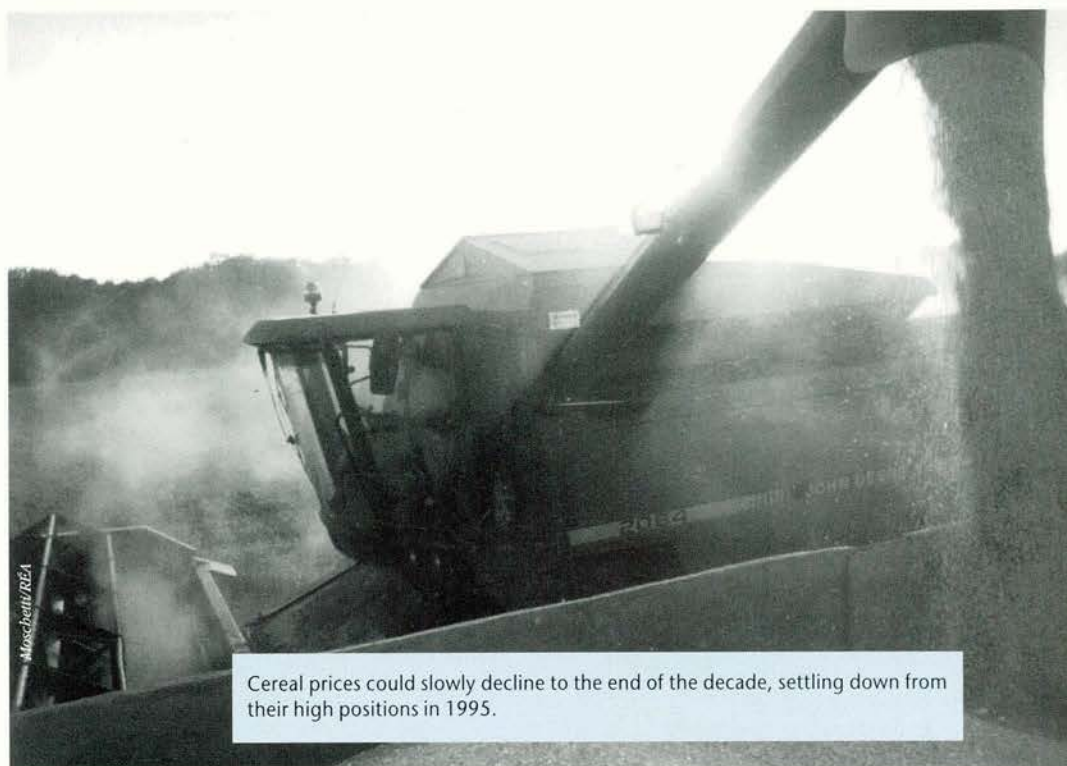


2. Wilfrid Legg, 'Direct Payments for Farmers?', *The OECD Observer*, No. 185, December 1993/January 1994.



markets will undergo reforms because of the Uruguay Round agreement. In the United States, for instance, after a slight decline in 1996–97 because of the short-term increase in demand for maize, the land area sown with soyabeans should expand again over the next few years. In Canada, the removal of transport subsidies for grains and oilseeds will have much less impact on the production of higher-valued crops (such as rapeseed) than on feed-grain production. In the European Union, the volume of production will remain at the ceiling set in the Blair House agreement with the United States, on which the conclusion of the Uruguay Round of negotiations was based. Outside the OECD area, a sharp increase in oilseed production is expected, particularly in Brazil, China and India. But the expected growth in income throughout these regions should lead to even stronger growth in the consumption of oilseeds and of vegetable oils and oilseed meals. Consequently, world prices of oilseeds, oilseed meals and vegetable oils by 2000 should again be well above the 1990–94 average. In real terms, the prices of these products during the period 1995–2000 should settle at around 3–6% below their average over 1990–94.

The dairy sector continues to receive a high degree of support in many OECD countries, which have often opted to curb growth in production by applying quota systems. These account now collectively for about two-thirds of milk production in the OECD area. By contrast, output is likely to rise substantially in countries where there are no quotas, especially in Oceania, where dairy producers receive little or no support and base their production decisions on world prices. In the United States, production is forecast to rise through the increasing use of soma-



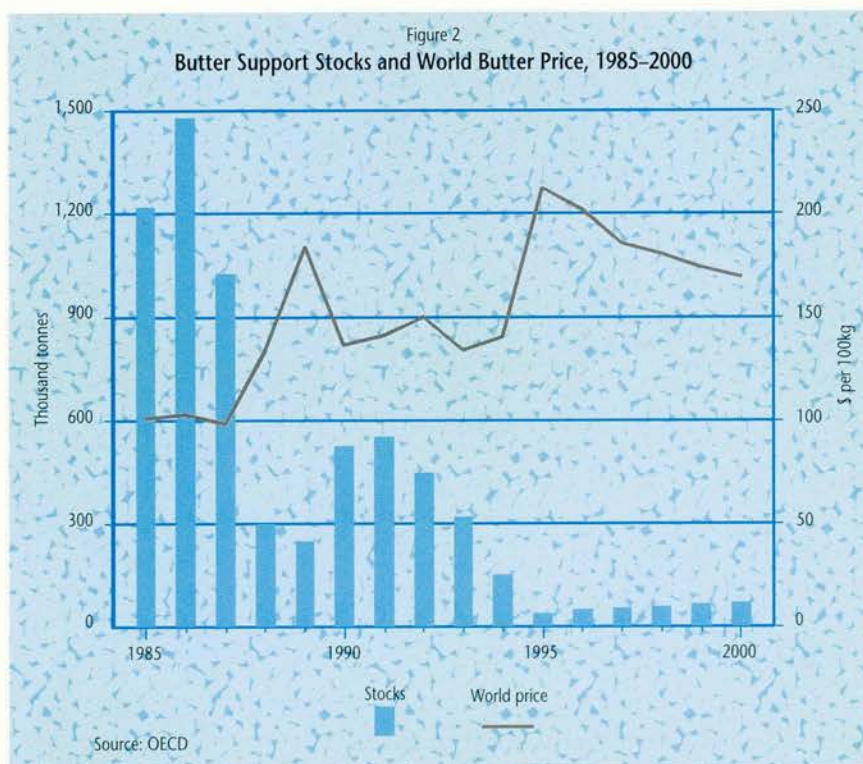
totropine, a hormone which increases milk yields. The use of this hormone is either not authorised, or is not profitable, in other OECD countries.

In general, milk production in the OECD area in the year 2000 could be 4–5% higher than in

1990–94. In spite of this increase, lower subsidised exports of dairy products and strong demand from the non-OECD area should maintain international prices much above the 1990–94 average until the end of the decade. By 2000, world prices for butter and skimmed milk

powder could in nominal terms be some 25 and 55% higher, respectively, than those for this earlier period. The consumption of milk in the OECD area will be rather different with forecasts of increased use for the production of cheese, fresh products and whole milk powder, but less for butter and skimmed milk powder. As a consequence, traded volumes of these last two products will decline over the medium term.

The relatively high prices expected for coarse grains and oilseeds should result in slower growth in pork and poultrymeat production in most OECD countries. In the European Union, the situation is different: CAP reform has led to markedly





# Agricultural Markets from Now to 2000

lower prices for cereals since 1992 and the recent taxation of cereal exports is tending to protect livestock producers from the current increase in international prices. In spite of higher feed costs, total meat supplies in the OECD countries in the Pacific Rim area, where foot-and-mouth disease is not endemic, should remain large, which will moderate price increases in this region, particularly in the early years of the projection period. Towards the end of the decade prices could rise again, driven by strong demand for imports and the gradual opening of markets, especially in Asian countries.

After remaining low for many years because of the existence of large surpluses, beef prices in trade between countries where foot-and-mouth disease is endemic may progressively become firmer as well. Such an outcome reflects a number of factors including the restrictions to the support system in the European Union, which is beginning to stabilise beef production, the reduction in subsidised EU exports in accordance with the Uruguay Round agreement, and the effect of increased beef exports from both Argentina and Uruguay to North America and the Mercosur countries. The differential between international prices on the Pacific market and higher domestic prices in the European Union should nonetheless remain too wide to allow the European Union to export beef without subsidies. By way of contrast, unsubsidised exports of pork and poultrymeat from the European Union should rise, especially if feed costs remain steady.

## New Market Conditions

World market conditions are changing and are likely to be appreciably different

from those of the past few decades: stocks have shrunk markedly, demand has become less responsive to changes in prices (in the OECD countries, at least), and uncertainties are arising on the extent of the production potential, especially for cereals. These factors have implications both for medium-term trends in prices and for the behaviour of prices in the short term. An important element is the uncertainty concerning the potential for cereal production, both in OECD countries and elsewhere. The Conservation Reserve Program in the United States and land held in annual set-aside schemes in the European Union probably constitute the only land reserves; it remains to be seen to what extent land will be released from these two programmes. The global trend in yields is another subject of debate: there is some evidence that the yield growth for wheat and rice has started to level-off in some countries outside the OECD area. Yet further reforms and trade liberalisation should be sufficient to spur growth for cereals, for coarse grains in particular.

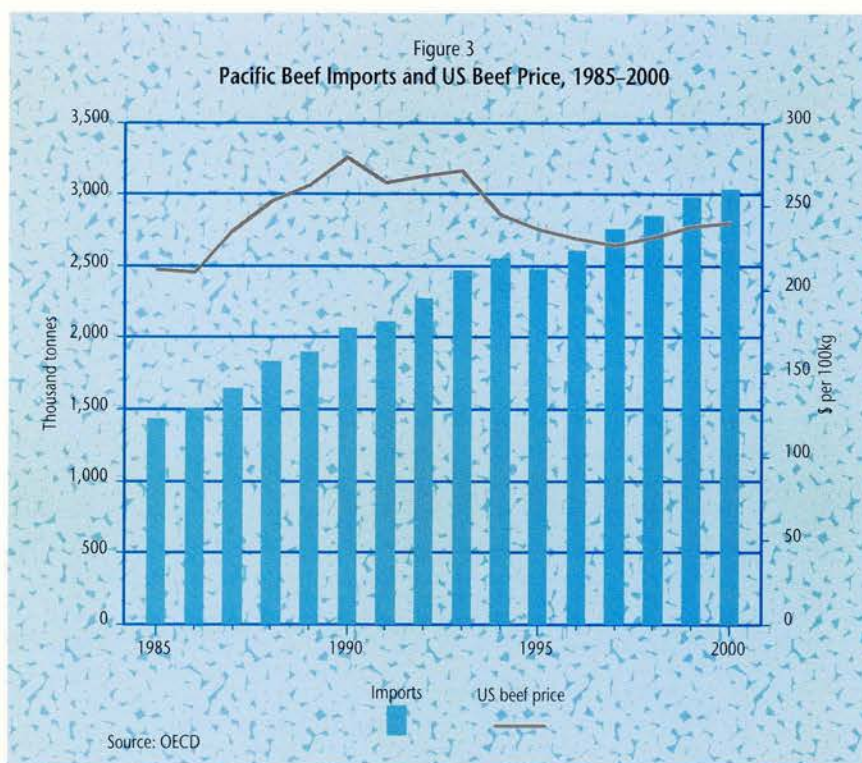
Of the many uncertainties affecting demand

in the medium term, two are particularly important. The first concerns the impact of changes in the pattern of consumption in developing countries, above all in China. With higher incomes in these countries, the consumption of meat and dairy products is rising. Some countries are opting for higher imports while others prefer to develop their own livestock production and import more feed-grains. In this context, China should remain the leading world importer of wheat and continue to restrict the export of feed-grains so as to supply its own expanding livestock production. But if its feed requirements were higher than expected, China would have to begin importing feedgrains or increase wheat imports, thereby pushing up world prices. By contrast, low-income importing countries might have more difficulty in obtaining supplies on the world market, which could put the problem of food security on a new footing.

The second major uncertainty concerns the import demand of the countries that were formerly part of the Soviet Union. In the medium term, economic recovery might increase the demand for livestock products

and feed requirements in these countries. It is difficult to quantify this effect, since the timing and pace of these developments are uncertain. In view of their logistical constraints, these countries are expected to continue to import meat and butter rather than feed grains. Nevertheless, in the event of further poor harvests, cereal imports may rise since stocks are currently very low in these countries.

The weaker short-term responsiveness of demand to changes in price in the OECD area is also an increasingly important factor in determining the outlook. As households in OECD countries earn more, they spend a much smaller pro-







Benoît Decout/REA

The implementation of the Uruguay Round should appreciably reduce the volume of subsidised cereal imports.

portion of their incomes on food. Demand for food, and still more demand for basic agricultural commodities used as ingredients in final food products, is therefore not very responsive to changes in price. The same trend is beginning to be observed in non-OECD countries showing strong economic growth. Rapid expansion in agro-food industries in several developing countries is also tending to make their demand for imports less responsive to changes in international prices, since these industries often prefer to operate at full capacity because of their very high fixed costs. A similar situation is arising for demand for feed grains in livestock feeding. For example, the pork sector is moving towards the same type of industrialisation as is seen in poultry production. In the medium term, that could affect the responsiveness of demand for animal feed and reduce the cyclical aspect of production. Policies which insulate producers from fluctuations in the world price are having the same effect.

Medium-term tendencies should also be viewed in the context of the current situation

for stocks, the reduction in public stocks and changes in stock management in particular. The low volume of cereal stocks is tending to increase price variations from one year to the next. But the higher percentage of private stocks and the wider dispersion of such stocks both worldwide and within countries might allow these stocks to be more responsive to changes in market conditions. Nonetheless, the global implications of a reduction of stocks and of changes in how they are managed are not entirely clear.

The adjustment of agricultural policies will also be important, in particular by reducing the role of governments in the market place, to allow supply and demand to respond to prices as flexibly as possible. With diminishing government intervention in the market, the management of market risk through private means is gaining importance. Futures markets are a prime example. As long as governments assumed price risks, futures markets were relatively less important in North America and also in other countries where traditionally they were less active. But from now on they are expected to be used once more

as insurance against price risk. Indeed, the main commodity exchanges in the United States are currently developing specialised products in preparation for the possible withdrawal of government programmes.

■ ■

Agricultural markets are facing a new situation because of strengthening demand and reforms in agricultural policy. The extent and means of government intervention in the markets are changing. The potential for bringing land into production is limited in OECD countries and uncertain elsewhere, whereas demand appears to becoming somewhat less flexible than in the past. Agricultural policy is likely to evolve further under the effect of various factors during the next few years, so as to improve the functioning of markets, in particular in those countries which have gone no further than implementing

minimum requirements set under the Uruguay Round agreement. Future adjustment of the agricultural sector should take place in the context of more favourable market conditions than in the past. ■

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# Globalisation



As borders come down, governments are having to change how they function to cope with the increasingly international dimension of policy issues.

Sally Washington

*Globalisation is changing how governments operate. Even domestic issues are increasingly affected by outside institutions and events that national governments cannot hope to control. Yet fears that national sovereignty is being undermined may be short-sighted. International co-operation can improve the effectiveness of policies and offers the opportunity to address common problems. But can the machinery of government in OECD countries cope?*

Governments have progressively lost control over national policy agendas. Decisions on monetary and fiscal policy are hostage to international economic conditions, including the unpredictable movements of globalised financial markets. Employment and welfare policies have implications for international competitiveness. And national and international interest-groups, the media, and multinational enterprises all influence the demands made of governments and the options available to them.

Participation in international fora or the adoption of international agreements – in effect, a voluntary pooling of sovereignty – further reduces room for manoeuvre, perhaps even requiring modifications in long-standing domestic policies. The Nordic tradition of open public access to government information, for example, is being restricted to conform to the confidentiality requirements of membership in the European Union. Similarly, the move to a single European currency is requiring some countries to pursue austerity measures that are politically unpopular, such as reforming generous welfare regimes to trim budget deficits.

Interdependence clearly narrows the degree of independence. But is this once-treasured independence a good thing? Unilateral action may not be the most effective way to achieve the outcomes governments desire. National autonomy in, say, the exploitation of international fisheries,<sup>1</sup> or the right to pollute, would inevitably result in severe damage to common natural resources. And many goals cannot be met by governments acting alone: in tackling environmental degradation, international crime and drugs trafficking, the interests of individual nations can be protected only by co-operation with others. This sort of collective action also opens new opportunities for progress, such as establishing rules of the game for information highways<sup>2</sup> or a global financial system. And although global policy-making reduces government autonomy over its own actions, it simulta-

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# and Governance

neously allows governments more influence over policies in other countries.

## Organising for Influence

International credibility demands internal coherence. Other governments must be able to trust that a government means what it says and has the authority to deliver what it promises. Yet co-ordination is increasingly unmanageable as more national actors take to the international stage – including 'line' ministries and lower tiers of government – often with conflicting agendas (box, p. 26). Governments therefore have to adjust their internal machinery and improve internal co-ordination.

Even when internal co-ordination functions well, finding an effective role in international policy fora – becoming a 'policy-maker' rather than a 'policy-taker' – will not follow automatically. Governments have to set priorities<sup>1</sup> for participation in international fora to determine when and when not to get involved, how participation should occur and by whom, how to resolve disputes and manage the roles of interested parties, and to how weigh the consistency of international policy against national goals and existing legal and constitutional frameworks. The ability to justify its actions against some set of principles or goals can strengthen the legitimacy of the position a government takes, can help forge internal consensus, and can maximise the potential for international influence. But this strategic capacity is lacking in most OECD countries.

Governments are also organising regionally to achieve global influence. The development

of groupings – such as the European Union, NAFTA and APEC – and international or multilateral agreements, particularly those related to trade, such as the World Trade Organisation, has obvious implications for national governance. On the surface, regionalism and multilateralism appear contradictory, but may in practice be complementary trends.<sup>2</sup> Regional groupings may be one way for countries – particularly small, peripheral economies – to maximise their influence in global or multilateral fora. During the Uruguay Round, for instance, the European Union showed how the bargaining power of individual member states could be enhanced by collective action.

## A Democratising Effect?

Globalisation means that citizens are now informed of issues and events directly from international sources, particularly through radio and television and, more recently, the Internet. Governments can no longer censor or control inflows or outflows of information. That may help to build democracy in traditionally closed countries – by exposing 'dirty secrets' like abuses of human rights – but it also exposes all societies to 'undesirable' information such as pornography, racist propaganda and instructions on how to carry out terrorist activities. Information technology has effectively eliminated the capacity of countries to isolate themselves from the world outside.

This 'democratising effect' – politicising and mobilising citizens – is affecting national policies. Citizens can use information from other countries to challenge their own governments. Groups of indigenous peoples – such as New Zealand Maoris, Australian aboriginals and Canadian Indians – are increasingly sharing strategies across national borders, putting pressure on regional and national governments to know more about what their counterparts are doing in response.

Interest-groups are likewise organised internationally. A prominent example is Greenpeace, which has 40 offices in 30 countries, annual re-

venues of \$130 million and a staff of over 1,000. The recent Royal Dutch/Shell Brent Spar case – where Greenpeace forced the abandonment of a plan to sink a disused drilling platform in the high seas – illustrates the power such co-ordination can bring. At the 1993 Rio Summit, the 1994 Cairo Conference on Population Growth and the recent Beijing world conference on women, governments were lobbied both by their own and by foreign interest-groups.

The global news media, too, increasingly define international issues and events, which consequently demand immediate responses from governments. Images of starving children or massacres are instantly projected into living rooms around the world, shaping public opinion and demands. Governments themselves are using the media to influence global public opinion. Although Canada was legally in the wrong in seizing a Spanish vessel in the recent fishing dispute between the two countries (a disagreement which also involved the European Union), Canada appeared to win hands-down in the associated media campaign. The media are also used strategically during military conflicts. Both sides in the Bosnian conflict have used the global media to present their case to the world outside, as did Saddam Hussein during the Gulf War.

The result of all these trends is that international events are more visible and transparent, have more domestic policy ramifications and involve the public more often and more directly. But does easier access to information and deeper participation in policy formulation and implementation by a wider range of individuals and institutions make those processes and their outcomes more 'representative', responsive to citizens and hence democratic? Or are policy processes usually captured by powerful interests with special access to information and its dissemination?

## Or a Democratic Deficit?

Governments may take policy issues into the international arena as a strategy to escape domestic opposition. Claiming 'tied hands' from

1. William Emerson, 'Hitting the High Seas', *The OECD Observer*, No. 195, August/September 1995; Carl-Christian Schmidt, 'The Net Effects of Over-fishing', *The OECD Observer*, No. 184, October/November 1993.

2. Deborah Hurley, 'Property and Privacy in Cyberspace', *The OECD Observer*, No. 196, October/November 1995.

3. *Regulatory Co-operation for an Interdependent World*, OECD Publications, Paris, 1994.

4. Serge Devos, 'Regional Integration', *The OECD Observer*, No. 192, February/March 1995; Nicholas Vanston, 'What Price Regional Integration?', *The OECD Observer*, No. 181, April/May 1993.



## FOCUS

### Co-ordinating External Relations

Ministries with sectorial responsibilities in OECD countries now often manage their own international relations and participate directly in international negotiations. There are few guarantees that they will reflect the 'national interest' rather than their own narrow perspective. This risk is especially acute when the issues at stake are technical and managed by 'experts'. Pursuing departmental interests can undermine the actions of other ministries. For example, environmental officials may support the linking of environmental protection with trade sanctions, and labour officials the linking of labour standards with trade sanctions, thereby conflicting with trade officials who insist on the maintenance of an open world trading system. Interministerial disputes – jostling for turf – common on the home front are thereby transferred to the world stage where the stakes can be much higher and the costs of policy failure more dramatic.

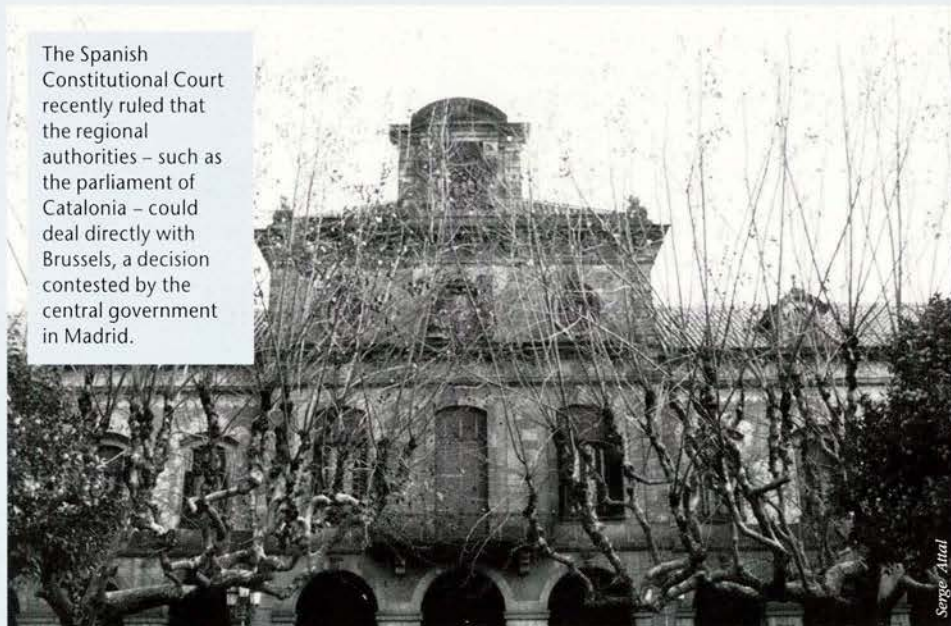
The situation is even more problematic when sub-national governments take to the international stage. The Spanish Constitutional Court, for instance, recently ruled that Spanish 'self-governing communities' (regional governments) could set up offices in Brussels for direct contact with the European Union – an initiative contested by the central government. In this context governments have to develop mechanisms – consultation, information exchange – to improve co-operation with other strata of government so as to reconcile national and subnational interests in the global policy environment.

Policy co-ordination between ministries is likely to be the principal means, if not of achiev-

ing consensus, then at least of avoiding open differences of approaches. In most OECD countries responsibility for internal co-ordination rests with the centre of government, sometimes within a special foreign-policy unit under the Prime Minister's authority, such as the French General Secretariat of the Interministerial Committee on European Economic Co-operation (SGCI) and the European Secretariat of the Cabinet Office in the United Kingdom. In Finland a new interministerial body, the Cabinet European Union Committee, has been formed within

the Council of State; and Australia has instituted a special cabinet committee to deal with matters related to Asia Pacific Economic Co-operation (APEC). In contrast, Canada has eliminated the foreign-policy committee of the cabinet in recognition that the international dimensions of substantive policies cannot be isolated and should be dealt with in other substantive policy committees. Other countries have seen the extension of flexibility in decision-making structures, with more recourse to ad hoc interministerial committees. Clearly, there are no perfect models.

The Spanish Constitutional Court recently ruled that the regional authorities – such as the parliament of Catalonia – could deal directly with Brussels, a decision contested by the central government in Madrid.



Serge Attal

being party to international agreements may allow them to present policies at home that are unpalatable to some groups, and therefore politically difficult to implement.

There may also be a power shift from elected to non-elected bodies. The tendency to resort to international decision-making (including treaties and international agreements) seems to increase the power of executive government at the ex-

pense of legislatures, putting such fora beyond democratic control. This is clearest for the member states of the European Union, especially for its directives and regulations, which unlike the EU treaties themselves, have not been submitted to national parliaments for ratification. The erosion of parliamentary supervision is likely to be a central issue in the debate on the future of democracy. Parliaments are already demanding

more say in the international undertakings of their governments. But can parliamentary oversight be built into international decision-making without adding costs and delays?

As more decisions are taken internationally, there are also likely to be demands for more

5. *Governance in Transition: Public Management Reforms in OECD Countries*. OECD Publications, Paris, 1995.



transparency and accountability in such fora. Citizens will rightly demand to know who – governmental or non-governmental bodies – is pushing a particular set of decisions and under what authority. For example, if international interest-groups are influencing a particular debate, the voter-taxpayer will be keen to know who is at work, what their mandate is, and how they are funded.

Most OECD countries have taken substantial steps to improve accountability and openness in domestic policy-making processes.<sup>5</sup> But the same emphasis has not been placed on the development of 'global governance'. Democracy, transparency and openness should feature alongside effectiveness as important factors underpinning the structures of global decision-making fora.

Considerations of the connection between democratic processes and international decisions are only now beginning to surface. The EU is witnessing much debate inside and between its member states on the roles, responsibilities and relationships of accountability between the Commission, the Parliament, the Council and member governments (not least national parliaments).

As domestically, strategies for integrating multiple interests into policy would improve democracy in international decision-making. The OECD, for example, is considering whether the current arrangements for consultation with labour and business should be augmented by procedures to consult with other interests, such as consumer or environmental groups. These procedures must be well managed. There is a danger – which also exists in the national context – that pressure from well-organised lobbies will overshadow the requirements of the less vocal majority, a concern that seems to be warranted by the mushrooming of special-interest groups in Brussels.

International fora do appear to be weathering these challenges. The fisheries dispute in the North Atlantic, for example, although difficult, did not result in withdrawal of either party from the North-west Atlantic Fisheries Organisation, which governs catch quotas in the region. Rather, it resulted in calls for improved management measures and dispute-resolution procedures. The



Greenpeace – with a high profile in the media – is reaping the benefits of its international co-ordination.

dispute-resolution processes of the WTO, as yet untested, offer new means of shoring up a framework for international trade that is fragile but beneficial to all parties, and certainly preferable to unilateral sanctions and reprisals.

In other words, international organisations have to be capable of delivering results while maintaining democratic values. That will require a range of new procedures, including improved procedures for negotiation, mediation and dispute-resolution, mechanisms for building trust and mutual confidence between countries, and assessment and revision processes. Building international institutions that are fair and well respected poses a challenge to all parties involved in international policy making.

■ ■

In building mutual trust and the other foundations of global governance – democracy and effectiveness – national governments have to be able to communicate to their local populations that domestic and international dimensions of policy are inextricably linked and to demonstrate that sovereignty can actually be enhanced rather than diminished by active participation in international decision-making. Decisions taken in the

international fora will thus have to be transparent, fair and workable. ■

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# Reforming Social Transfers

Maitland MacFarlan and Howard Oxley

*Expenditure on transfers to the working-age population in OECD countries accounted, on average, for a little over 7% of GDP in 1992. With fiscal pressures requiring efforts to limit spending over a wide front, the reform of income-transfer programmes has become a prominent issue across the OECD area. These programmes are intended to protect workers and their families from unexpected changes in their living standards through unemployment, illness or disability, and to ensure that no member of the community is in poverty. But such programmes can have a major impact on incentives in the labour market and hence on the demand for and supply of jobs. There is also concern that they are not always reaching their intended goals (which are themselves under discussion) and, in some cases, may be making things worse – for example, by promoting long-term dependency on benefits. How efficiently are these programmes meeting their goals, and how might they be improved?*

**T**he three main programmes that transfer incomes between the population of working age<sup>1</sup> in the OECD countries are: social insurance, which provides protection against loss of income from unemployment or disability; benefits in the form of social assistance, aimed at ensuring a basic minimum of support for individuals or households through means-tested benefits in cash

or in kind;<sup>2</sup> and family benefits or child allowances, intended to improve 'horizontal' equity by making adjustments for the more extensive demands of larger households.

Transfer spending directed at people of working age increased from an OECD average of 2.5–3% of GDP in 1960 to around 6% in 1980.<sup>3</sup> This growth resulted from a combination of broadening coverage (for example, providing unemployment insurance to workers in the primary sector, such as fishermen and farm-workers, and to people in part-time jobs), increases in the numbers eligible for benefits (particularly because of the growth of unemployment in the

1970s) and, to a lesser extent, increases in benefits themselves.

Growth in spending then slowed markedly in the 1980s: the GDP share of working-age transfers increased on average by 0.7% over the decade, but with a good deal of diversity across countries. In the countries with the largest increases in total spending – Australia, Austria, Canada, Ireland, New Zealand, Spain and Sweden – the main growth usually came from unemployment benefits. This expansion was mainly a result of increases in the number of unemployed, although in some cases changes in the generosity of benefits were also important. But in the countries where spending was reduced (Belgium, Denmark, Germany, Luxembourg and the Netherlands), the tightening-up of eligibility criteria played a considerable role.

With the further increase in unemployment in the early 1990s, income transfers to the working-age population rose to 7.3% of GDP on average in 1992. If the projected fall in the unemployment rate of the OECD area between now and the year 2000<sup>4</sup> is matched by an equal decline (in percentage terms) in the share of unemployment benefits in GDP, average transfer spending in the OECD would decrease by less than a quarter of a percentage point of GDP from its 1992 share. Reductions in this amount are therefore likely to require fundamental changes in the structure and operation of these programmes in many OECD countries.

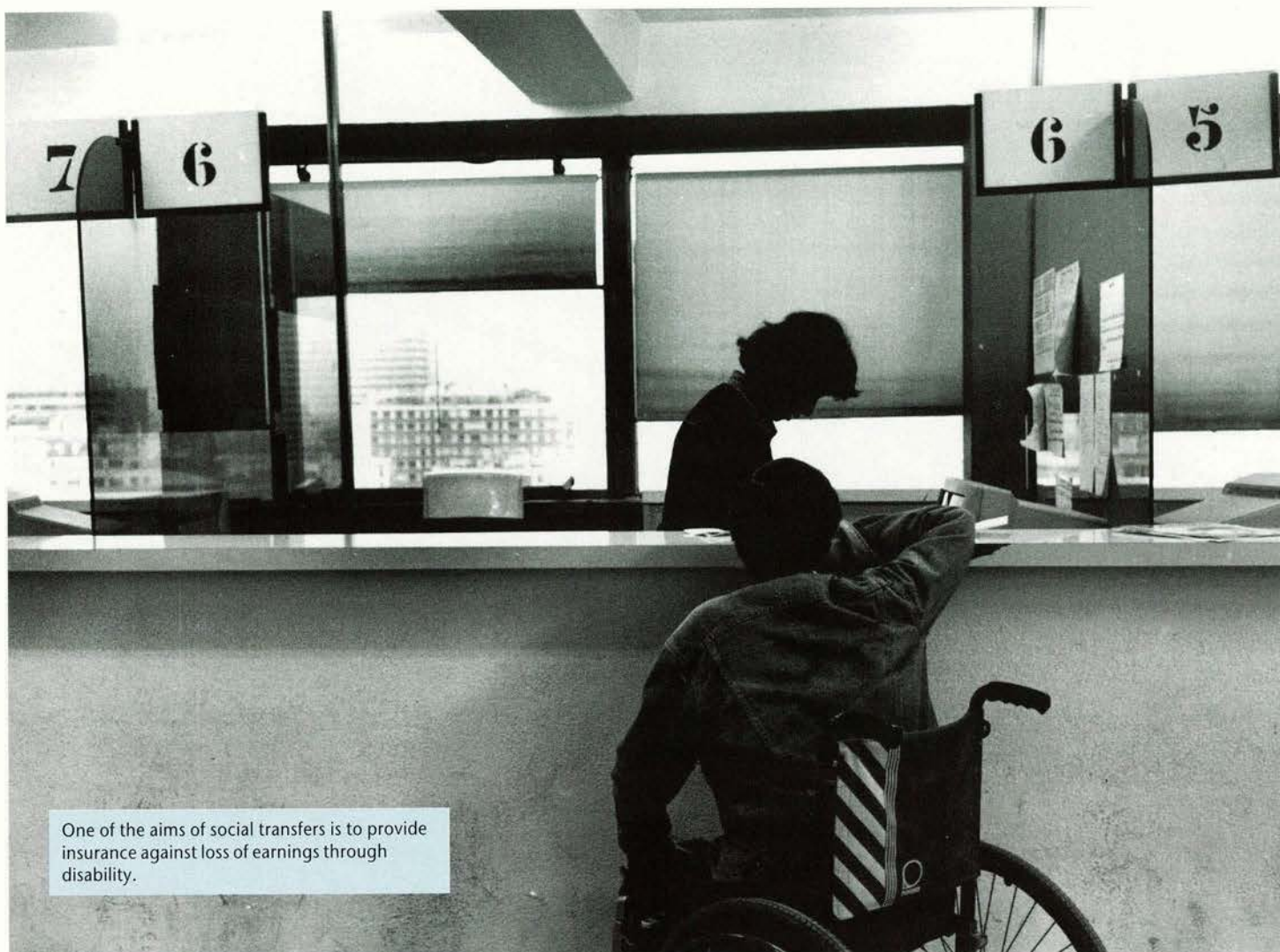
## Cross-country Differences

There are wide variations between OECD countries in the amount spent on transfers for the working-age population, ranging in 1992 from 1% of GDP in Japan to 14% in Finland. Insurance-related transfers dominate total transfers: with the exception of Australia and New Zealand, they make up the bulk of expenditure in both high- and low-spending countries and they account for 80% of cross-country variation in total transfer spending.

Some countries spend less because of relatively heavy emphasis on targeted social assist-

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One of the aims of social transfers is to provide insurance against loss of earnings through disability.

Michel Lemoine

ance (Australia, New Zealand and the United States). But this pattern is not consistent across all countries: some of those with higher total spending (Denmark and the Netherlands, for example) spend a bigger share of GDP on social assistance than the low-spenders (such as Japan and the United States). Spending on family and child benefits has little influence on the country rankings; most countries spend around 1–2% of GDP on these benefits.

Considering spending by programme, a particularly important role in determining overall dif-

ferences between countries is played by arrangements covering 'incapacity for work' (combining disability, sickness, maternity, and occupational injury and disease). Some higher-spending countries are also relatively generous with pre-retirement benefits (Belgium, Denmark and Finland) and with housing benefits (particularly Finland, France and Sweden).

Some of the cross-country differences reflect the tax position of benefits. Most countries tax benefits to some degree. But the high spending in Denmark, the Netherlands, Norway and Sweden partly reflects the fact that pre-tax benefits have to be high because a substantial part of them is clawed back through the tax system. Differences in demographic or industry structure (a larger proportion of older workers, for example) and the coverage of the programmes also account for some of the difference but appear to be much less important. The main differences in spending thus result primarily from

the particular rules each country sets to govern access to benefits, and the application of these rules in practice.

## Eligibility Conditions

Conditions of eligibility appear to vary considerably. With unemployment benefits, for example, there are wide variations between countries in the share of the unemployed who receive benefits. Relatively short periods of benefits seem to contribute to low expenditure in Greece, Italy, Japan and the United States – countries where unemployment-assistance schemes (for people no longer eligible for insurance, for instance) are also of limited scope. In contrast, high-spending countries (Belgium and the Netherlands, for instance) all tend to have long periods of benefits for unemployment insurance

1. For an analysis of pension systems, see Willi Leibfritz and Deborah Roseveare, 'Aging Populations and Government Budgets', *The OECD Observer*, No. 197, December 1995/January 1996.

2. See pp. 32–34.

3. The statistical data in this article are taken from *Social Expenditure Statistics of OECD Member Countries*, Labour Market and Social Policy Occasional Papers, No. 17, OECD Publications, Paris, 1996.

4. *OECD Economic Outlook*, No. 57, OECD Publications, Paris, June 1995.



# Reforming Social Transfers

(increasing the share of the unemployed who receive such benefits), backed up by comprehensive assistance schemes.

Differences in spending on disability benefits are particularly marked, and bear little relation to what is known about inter-country differences in morbidity. Instead, these programmes appear to be prone to moral hazard (that is, there are strong incentives for people to apply for benefits even when they may not require or have a right to them): they often provide more generous benefits than unemployment; benefits last longer; and programmes have, in some cases, permitted firms to lay off older workers, making disability insurance a form of early retirement. Relatively high spending and large numbers of beneficiaries in some countries can usually be attributed to some combination of the following elements:

- assessing individuals' eligibility in relation to their ability to carry out their previous jobs, rather than any job at all
- providing benefits at relatively low degrees of permanent disability (for instance, 25% in the Netherlands and 33% in Spain)
- including local labour-market conditions as a factor in determining 'disability', making it easier to classify the unemployed as disabled
- allowing applicants to use their own doctors to determine their disability, particularly if medical conditions used to establish claims are broadly and/or vaguely defined.

With sickness benefits, higher-spending countries tend to have some combination of short contribution periods (to establish eligibility) and long duration of benefits (for example, Denmark, the Netherlands and Sweden). In addition, increasing the share of sickness expenses borne by employees and/or their employers can help to contain both public spending and moral hazard in these programmes.<sup>5</sup>



Limiting the duration of wage-related unemployment benefits may encourage a more active search for jobs.

Finally, differences in spending on social assistance largely reflect the relative importance of these programmes within each country's overall arrangements for income support, and how tightly the schemes are administered. At one extreme, means-tested assistance benefits form the basis of the Australian and New Zealand systems, and take on a substantial supporting role in Canada. Moreover, assistance in these countries reaches a larger share of the population as a result of relatively generous tests of income and assets, and because benefits are not all withdrawn on a one-for-one basis as earned income rises.

At the other extreme, social assistance plays a more limited role in Austria, Switzerland and the Nordic countries, since social-insurance programmes are there to take up the running. Beneficiary numbers have traditionally been controlled through tighter tests of income and assets, stricter

rules on taking jobs when offered, and close monitoring – although rising unemployment and more part-time work and lone parents have led to an increase in spending there in recent years.

Although generally of less importance in explaining variations in spending, entitlement conditions may still be important in some cases. For example, high unemployment benefits (relative to what can be earned in a job) may contribute to higher spending in Denmark, the Netherlands, Spain, Sweden and Switzerland. For disability benefits, rates are particularly high in the Nordic countries, Luxembourg, the Netherlands and in most southern European countries (Italy, Greece and Spain), all of which have relatively high volumes of spending and/or high numbers of beneficiaries.

## Making Systems Work Better

Recent changes or proposals for change to improve social-transfer systems can be organised around three broad themes:

- making social insurance more 'insurance-based' – paying closer attention to how programmes are abused and to the incentives that increase these risks (moral hazard)
- reducing the risk of dependency on social-assistance schemes by using more intensive 'case management' methods, supported by stronger financial incentives on claimants to take up work
- improving the co-ordination and coherence of administration, across both programmes and different strata of government.

To ensure broad and equitable coverage, social insurance is likely to remain primarily a public-sector responsibility. Nevertheless, control over spending could be improved through the use of some standard insurance instruments, commonly employed in the private sector. More emphasis



on risk-sharing approaches between the insurer and the insured, for example, would tend to focus social cover on major claims (longer-term illness) while requiring self-insurance (by individuals and/or their employers) for smaller risks (for short periods of illness). Indeed, several OECD countries (Denmark, the Netherlands and Sweden, for example) have recently introduced (or increased the number of) uncompensated 'waiting days' at the beginning of each insurance claim, although many still provide cover from the first day.

Employers could be 'experience-rated', as in the United States, according to their use of insurance, particularly unemployment benefits, penalising firms with strong seasonal fluctuations in demand and employment. The links between individuals' entitlement to benefits and their employment or contribution record could be strengthened, and limits placed on the number of claims within a given period.

The role of social-assistance programmes is likely to increase where social-insurance programmes are tightened. This might be effective in reducing costs but might fail to reach other social and labour-market objectives. If social concerns do not permit assistance benefits to be low relative to earnings, tightening insurance benefits will place more people on assistance benefits – facing those individuals with serious work disincentives (unless they can be countered by other measures, such as tighter case-management).

The scope for voluntary self-insurance, and for tailoring coverage more closely to individual circumstances and risks, could also be increased if individuals were given more choice – within limits – about the proportion of their income they can insure through public schemes. There is also scope for tightening up the operation of some particular insurance schemes. Spending on disability and sickness benefits could be curbed by ensuring that claims are in line with eligibility, are objectively assessed and, where possible, are

medically verifiable. For partial disability, extending work-testing to all reasonable forms of employment should reduce the scope for prolonged periods of inactivity. Limiting the duration of wage-related unemployment benefits (say, to a year at most, as suggested in *The OECD Jobs Study*<sup>6</sup>), possibly combined with reductions in benefits as the duration lengthens, may encourage more active job search.

The risk of long-term dependency is particularly high for recipients of social assistance: benefits are unlimited; many beneficiaries have poor prospects of employment and earnings; and benefits are withdrawn as earnings increase. In some cases strengthening the direct financial incentives on recipients to seek, accept and retain jobs may be appropriate. For example, benefit reductions may be required where benefits are high relative to the wages they can earn. Employment-conditional benefits, as in the United Kingdom (benefits to poor working families) and the United States (tax reductions or credits for low-income families), can also encourage work by supplementing the market earnings of the low-paid. And some separation in the income-testing of family members, as introduced in Australia, can reduce the strong disincentives to work that often face the husband or wife of an unemployed person.

But public concern that an 'adequate' degree of support should be maintained means that the scope at least for reducing benefits is limited. Supporting measures – in the form of more intensive case-management – is likely to be necessary to encourage and help beneficiaries to find jobs. This approach has three (partially overlapping) dimensions: regular monitoring and counselling of beneficiaries; requiring claimants to participate in some form of training, employment, or other 'active' labour-market programme; and sanctions – in the form, for example, of suspensions or reductions in benefits – where claimants fail to meet programme requirements (on seeking or retaining job-placements, taking up training opportunities or declaring income and assets, for example). Such measures when applied consistently seem to be effective in shortening the duration of claims and identifying non-serious claims.

Nonetheless, the case-management approach will likely increase administration and training costs even if this may be more or less offset by reduced abuse. But there is probably scope for reductions in administration costs by consolidating, or at least better co-ordinating, the various agencies and programmes serving claimants – for example, through centring administrative responsibility for and control of case management on a single agency. There are some indications that operating such agencies on a decentralised basis may be more effective than central control in identifying and responding to client requirements. But local control may have to be set within a broader (possibly national) framework to ensure consistency, accompanied by local funding to encourage programme administrators to be 'cost-conscious', and arrangements such as block grants or loan facilities from central government to reduce risks of regional inequities.

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Social-transfer systems perform an important insurance function. Nonetheless, in many countries such programmes have to be reviewed to ensure that intended goals are being achieved at lowest cost and that the undesirable effects on individual behaviour are minimised. Such measures should help control government spending and improve the functioning of labour markets. ■

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5. Both Sweden and the Netherlands have reduced public spending on sick pay by obliging firms to pay for the first weeks of sick leave; Denmark has recently introduced a waiting period.

6. *The OECD Jobs Study*, OECD Publications, Paris, 1994.



# A Comparative Study of Social Assistance

John Ditch

*Social-assistance schemes – whereby governments provide income-support through cash or benefits to less-well-off individuals or families – are difficult to compare on an international basis: definitions vary, and responsibility for policy, financing and delivery can belong to either national, regional or local authorities. Indeed, in some countries there is an important role for non-governmental organisations, too. A complicating factor in the analysis (and administration) of social assistance is the treatment of housing costs: in some countries they are included within general social assistance and in others there is a separate, and general, scheme of housing benefits. Until recently, this complexity had dissuaded analysts from preparing a systematic profile of social-assistance programmes in the OECD countries. This gap has now been rectified by a major comparative study.<sup>1</sup>*

There is no single or universally accepted definition of social assistance. A first step in pursuit of such a goal is to distinguish the three basic methods by which the state can allocate resources to individuals or households. These are, first, by giving 'universal' or contingency benefits, not related either to income or to employment status but allocated to citizens falling within a specified social category, such as child benefit and family allowances paid to mothers. Second, there are social-insurance bene-

fits which are related to employment status and to a record of contributions. Third, there are means-tested or income-related benefits, where eligibility is dependent on an assessment of current or recent income and/or assets. And within this category there are three kinds of assistance benefit: those which are 'poverty-tested' as opposed to general means- or income-tested benefits (which may include recipients who have income above the poverty line); benefits in cash and 'tied' benefits such as assistance with housing costs; benefits which are available to all claimants within a specified income-band and those which are aimed at particular groups, such as older or disabled people.

In 1992, the proportion of spending on social assistance in the OECD countries,<sup>2</sup> expressed as a proportion of GDP, ranged from 0.1% in Greece (which has no general assistance scheme) to 13% in New Zealand, where almost all benefits are based on the recipient's resources. Assistance for specific groups of claimants makes up a larger part of spending than general programmes in most member states of the European Union, while tied assistance (particularly for housing) is especially important in France, Sweden and the United Kingdom. All OECD countries (with the exceptions of Japan and Switzerland) increased the proportion of total expenditure on social security committed to social assistance between 1980 and 1991. The Nordic countries recorded the fastest rates of growth of spending on social assistance programmes, although they began from a low base in 1980.

## Who Benefits?

The English-speaking countries tend to operate the most extensive social-assistance programmes. In 1992, the United Kingdom provided Income Support, its general unified social-assistance programme, to 15% of the population. When schemes directed at particular groups are included, Australia and New Zealand predominate and Ireland also joins the high-coverage group. Those with the lowest numbers of claimants include Greece, Japan, Portugal, Spain and Switzerland. In most countries, but especially Canada, Germany, Ireland, the Nordic countries and the United Kingdom, there was a substantial expansion in the number of recipients of social assistance between 1980 and 1992.

Dis-aggregating the data into specific claimant groups is not easy but the indications are that old age is becoming less important as a trigger for claiming assistance, and disability, un-

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Old age now seems less important a trigger for claiming social assistance as disability, unemployment and lone-parenthood are rising.

employment and lone parenthood have become more so. In most countries, between a half and two-thirds of claimants are single and only one-third (on average) have children.

All social-assistance schemes operate with the same underlying rationale: that eligibility for benefit should be established on the basis of an assessment of means, taking into account established conventions of family obligation and reciprocity. Attempts (as in Austria and Germany, for example) to shift responsibility for support onto the extended family have been mostly unsuccessful; there have so far been few attempts to individualise benefits (that is, split them between partners).

## Who Pays?

A primary difference is between countries which are organised on a centralised, integrated and national basis (Australia and the United Kingdom) and where there are common conditions of eligibility and payment, and those countries

(such as Italy, Norway and Switzerland) which have structures that allow for the devolution of responsibility for combinations of policy and administration to local governments. One pressure frequently observed is experienced in areas where demand for social assistance is high but where capacity to fund schemes is limited (as in the northern, industrial, *départements* in France). Although policy objectives and delivery structures are diverse, there is a common concern to streamline administration, not least by increasing the role of computers in assessment, payment and the detection and prevention of fraud.

NGOs play an uneven role in the administration of social assistance. In some countries, such as the United Kingdom, they are often described as a 'poverty lobby' seeking to campaign and influence policy. In others, such as Switzerland, they take the form of a 'shadow' social-assistance structure, offering an alternative to the stigmatised formal arrangements. In others yet, and there are examples in Canada and New Zealand, NGOs are organised to provide supplementary assistance in the form of food banks. In many countries, charities have a special role in respond-

ing to urgent and exceptional demands for food, shelter or clothing.

## How Much?

One of the main aims of the study was to collect comparable evidence about the value of benefits. There is immense variety in the values of such payments: after housing costs, and for a couple aged 35 years with two children (aged seven and 14),<sup>3</sup> they ranged from \$33 per month in purchasing power parities in Portugal to \$1,024 per month in Iceland. For a retired couple, the value of the social-assistance package (after housing costs) ranged from \$36 per month in Portugal to \$868 in Denmark. For a lone parent with one child (aged seven), the range was from \$57 in Portugal to \$815 in Switzerland.

Family type substantially influences a country's relative position in a ranking. For example, most countries provided relatively larger assistance to people over retirement age, particularly in Canada, France, Greece and the United States (New York State). Only a few appeared to pay higher benefits to working-age single people and couples than to pensioners. A composite ranking, based on percentages from the mean for nine family types, puts Iceland at the top (after housing costs), heading a group which includes Switzerland, the Nordic countries, Luxembourg, the Netherlands and Australia, all with values more than 20% above the mean. The next group of countries has values clustered around the mean; this group, led by the United Kingdom,

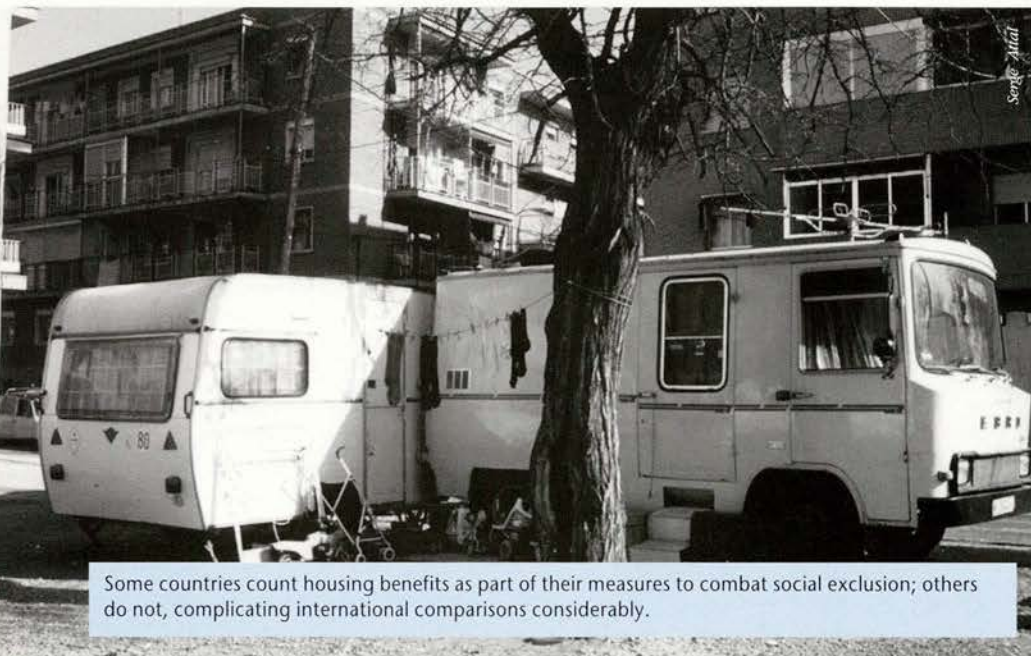
1. T. Eardley, J. Bradshaw, J. Ditch, I. Gough, and P. Whiteford, *Social Assistance Schemes in the OECD Countries, DSS Research Report* (2 vols.), HMSO, London, 1996, with assistance from the OECD.

2. Excluding Mexico, which became a member only in 1994.

3. To analyse structures and values, implied equivalence scales, replacement rates and incentive effects, a 'model families methodology' was used. All data related to May 1992 and three 'income packages' (social assistance, social insurance and wages equal to average male production earnings) were prepared for nine different family-types. All income and expenditure data were converted using purchasing power parities. Common assumptions were specified with respect to housing costs, local taxes, health costs and education and child care costs.



# A Comparative Study of Social Assistance



Some countries count housing benefits as part of their measures to combat social exclusion; others do not, complicating international comparisons considerably.

includes the United States, Japan, France, Canada and Germany. The third, and final group, with social-assistance benefits more than 10% below the mean, included Belgium, New Zealand and the southern European countries. When the extent of social assistance is compared with average gross wages (before housing costs), the relative positions of France, Finland and Sweden improve – these are countries where average gross earnings are relatively low because high social-insurance contributions from employers effectively constitute a deferred wage.

The countries with the highest payments, such as Switzerland (the Canton of Fribourg in particular), Luxembourg, the Netherlands, the Nordic countries and Australia share certain characteristics: relatively high volumes of GDP, low rates of unemployment, and social-assistance schemes which are both residual and locally administered. Moreover, they also have strict means-tests, and in the Nordic countries the amount of capital and earnings that can be disregarded is limited and there is a firm emphasis that claimants should return to the labour market.

Two sets of interrelated factors are driving change in social assistance. There are social and economic forces such as demographic changes, labour-market adjustments and rising costs of, say, housing and fuel. There are also changes in social-protection policies themselves, which affect the scope and value of social assistance.

These include the contraction – and for some categories of claimant, the breakdown – of traditional social-insurance coverage; almost universal pressure on public expenditure; and tension between central, regional and local governments over the costs of benefits and their administration.

Some policy trends emerge in response to these challenges, often in combinations of 'carrots' and 'sticks'. The carrots include reducing the withdrawal rate of benefits as earnings rise, providing education, training and work-experience programmes for claimants who are out of a job, and extending child-care and other benefits to claimants with responsibilities for caring for children so that these might be combined with paid work. 'Sticks' include increased monitoring of people judged to be capable of work, tougher tests of job-search activity, time-limited benefits and reductions in benefits.

There are four types of policy response. In Austria, Japan, Switzerland and the Nordic countries, where there has been a record of full (or near-full) employment, the specification of work incentives has been a relatively minor feature of the debate to date (although this is changing in Denmark<sup>4</sup> and Sweden). Second, in the southern European countries (including Turkey), where social-assistance programmes are limited, the impact either of debate or of policy change on

*4. See pp. 35–36.*

the behaviour of the unemployed and the dynamics of the labour market is marginal. Third, in the remaining countries of the European Union (except Ireland and the United Kingdom), there has been a growing concern with 'new poverty' and social exclusion, encouraging policy initiatives which promote 'integration'. These schemes have targeted young unemployed people and tied improved benefits to insertion in training and work-experience schemes.

Finally, in the English-speaking world where there is a tradition of extensive social assistance, the debate has focused on links to labour-market activity and a range of responses has been adopted. In Australia, there has been a partial individualisation of income-support for couples; the Earned Income Tax Credit has been extended in the United States; and the United Kingdom has introduced extra disregards of earnings to help meet the costs of child-care within Family Credit, back-to-work incentives, and a reduction in the insurance element of unemployment payments (as part of the new Jobseeker's Allowance). All these countries have increased their requirements that claimants demonstrate they are actively looking for a job.

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For the first time, a comprehensive picture is available of social-assistance arrangements in OECD countries. Clearly some schemes are more extensive than others; some are more generous than others. But it is not possible to claim that one country's scheme is 'better' than another's. To a very large extent, an evaluation of social assistance must be sensitive to the different traditions of governance, family obligation and wider labour-market and social-protection policies in each country. ■

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## Spotlight

# Denmark

## The Costs of the Welfare State

Hans Christiansen

**F**inancial crises have triggered the tightening of public budgets in several of the countries of northern Europe in recent years. One of the main targets of spending cuts has been expenses incurred by the state provision of welfare. Denmark, which has so far avoided major budgetary crises, offers one of the clearest models of the 'universal' welfare state. In almost all European countries a range of welfare services is available to the public, but often they are either based on contributions to insurance schemes or linked to the individual's position in the labour market. The universal model, by contrast, provides assistance which is available to all households and financed by general contributions from the public at large. As a result, Danish public spending has reached almost 70% of GDP, a proportion among the highest in the OECD area, with a correspondingly high tax-burden. That raises the issue of whether the system is sustainable in its current form and whether the distributional aims of the government could be achieved with lower spending and taxation.<sup>1</sup>

The two basic ideas underlying the development of the welfare state in OECD countries were that it was the responsibility of government to alleviate genuine poverty by guaranteeing all residents a minimum living, and that risk of temporary or permanent loss of income should be shared collectively through either the tax system or general insurance schemes. The intentions of the Danish welfare state go beyond these considerations, the success of welfare-related

policies being assessed according to two additional criteria: that no individual should against his or her will be excluded from participation in the labour force; and that no household should be excluded from full participation in social life on economic grounds. It follows from the second criterion that combating relative poverty becomes an independent aim of the Danish welfare state, since households with a standard of living considerably below average would be at risk of social marginalisation.

### Design and Generosity

A consequence of the strong emphasis on objectives of distribution and equity is that the composition of general government revenue differs markedly from other OECD countries: Denmark is one of the few countries which collects more than half of its total revenue through taxes on income and capital gains. Moreover, the brunt of this taxation falls on households, an average production worker paying 47% of his or her income in direct tax in 1992. Further yet, the households are also subject to one of the world's highest rates of consumption taxes (an average of 33% in 1995). In contrast, social-security contributions are very low, and paid almost exclusively by employees. It is thus clear that the burden of financing the extensive public spending is to very high extent borne by private households.

Unemployment insurance (UI) benefits are available to members of state-subsidised UI funds immediately upon becoming unemployed. Membership in these funds, which are open to all

participants in the labour market (including self-employed people), covers 78% of the labour force. In addition, cash assistance is available to unemployed people from households with an income and wealth below specified thresholds, provided they have no gainful employment and remain available to the labour market. As a result, 'poor' households have a strong economic incentive to remain in the labour force.

All forms of temporary income relief are subject to taxation, which makes international comparisons difficult. Nevertheless, it can be concluded that benefits relative to previous earnings – so-called 'replacement rates' – are internationally high for Danish low-wage earners.<sup>2</sup> UI benefits are paid out at a high statutory replacement rate but subject to a relatively low ceiling. Low-income earners thus have after-tax replacement rates above 90% in case of unemployment, whereas people previously earning more than 150% of the average wage face rather modest replacement rates of around 30%. Social-assistance payments are in principle means-tested, although they may not exceed the maximum UI benefits after a year of unemployment. But during the first year they may exceed both UI benefits and previous earnings by a considerable margin when combined with special housing and child allowances for poor families.

It follows from the 'universal' nature of the welfare system that old-age pensions are available to all aged members of society (older than 67 years) regardless of previous employment and social status. These pensions are tax-financed and thus not linked to individual contributions to a pension scheme during working age. They consist of a 'base pension' corresponding to 34% of an average production worker's wage (single pensioners) and an additional amount up to 33% for persons with particularly low income and wealth. When this pension scheme is combined with accumulated individual savings, the financial situation of old-age pensioners is comparatively good. A recent study showed that an average pensioner has an income some 25% below

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2. *Unemployment Benefits and Social Assistance in Seven European Countries*, Danish Ministry of Economic Affairs, Copenhagen, 1995.

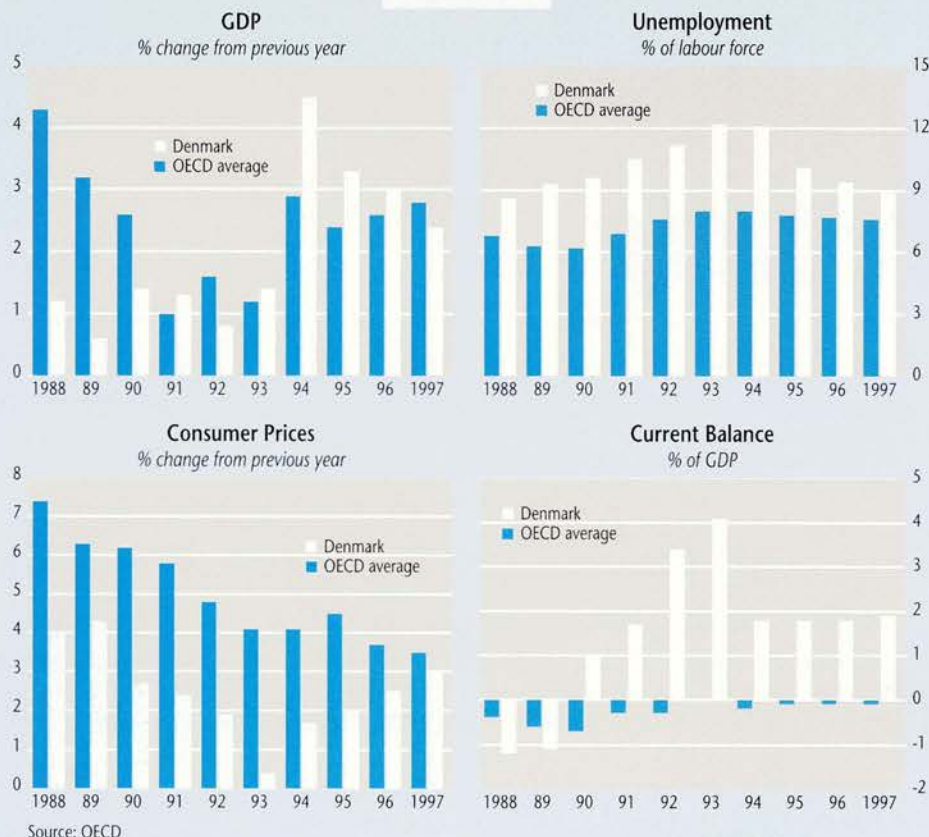
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# Denmark

## The Costs of the Welfare State

### Indicators



average of the working-age population, 55% of this income deriving from state pensions. Early-retirement pensions, integrated in the same state pension system, can be granted to people of any age who cannot participate in the labour market for health or 'social' reasons. The generosity of these pensions may substantially exceed that of old-age pensions if they are linked to invalidity.

### Success at a Cost?

The Danish welfare state has been effective in reducing poverty. An internationally low 3% of Danish households earns less than 50% of the national average. Moreover, this 3% largely consists of students and self-employed persons with temporarily low incomes, whereas for single mothers and old people – considered a problem area in some countries – virtually no poverty is recorded. Yet it is evident that a large part of the extensive welfare system redistrib-

utes within the life-cycle of individuals rather than between them. A typical couple will tend to be net-recipients of welfare benefits in their youth (student grants, child-related allowances) pay considerable income-taxes in mid-life and receive state pensions in their old age. Assessing life-cycles as a whole, only social and educational groups with a particularly high unemployment risk seem to be major beneficiaries of the system.

Some economic costs are connected with the extensive welfare state. An average Danish wage-earner pays marginal taxes in excess of 60%, which may have had adverse effects on the willingness to work. Indeed, by international comparison Denmark is a country with unusually few contractual working hours per year, which could be an indication that high marginal taxation makes wage-earners prefer additional leisure to additional wages. On the other hand, both the generous public transfers and high average taxation seem to have raised the proportion of individuals active in the labour market, most households actually requiring two

incomes to sustain a family. Thus the overall effect of the tax and transfer system seems to be that virtually all adult Danes are somehow attached to the labour market but work comparatively short hours. Among other effects this would, for example, entail a welfare loss for people who would prefer to limit their labour-market activities while their children are young.

High replacement rates for people with short formal education arguably lower the incentives of these groups to seek gainful employment. Indeed, surveys of job-search activities among the unemployed indicate that around a third of them are not actively looking, and that those who are would generally be unwilling to accept a change of profession or spend a lot of time commuting.

On the other hand, according to some calculations, 5 to 10% of those currently employed would gain net income if they quit their job, so factors other than short-term economic gains must motivate the decision to work. UI benefits, for example, are not indefinite and people with a working husband or wife would generally not qualify for means-tested social assistance. Work-availability tests also make it difficult to remain in the system without any actual attachment to the labour market.

But high replacement-rates seem to have raised the wage expectations of the lowest-skilled, and thereby acted as a wage floor at collective bargaining. The resultant compressed wage-structure offers little difference between the wage of an unskilled and a skilled worker, and is arguably one of the main reasons that persons with limited formal education have a risk of unemployment more than twice the average in the Danish labour market. If the particularly high risk of unemployment among these groups in the labour market were successfully addressed, perhaps by allowing for a somewhat wider dispersion of wages, the main remaining factor causing economic inequality would be eliminated. ■


### OECD BIBLIOGRAPHY

OECD Economic Surveys: Denmark, 1996.





# Indicators



**AUSTRALIA**

	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	1.4	2.6
Leading Indicator	Dec. 95	-1.6	-6.8
Consumer Price Index	Q4 95	0.8	5.1
		current period	same period last year
Current Balance	Nov. 95	-1.71	-1.85
Unemployment Rate	Dec. 95	8.0	8.8
Interest Rate	Dec. 95	7.40	8.15

## Definitions and Notes

**Gross Domestic Product** Seasonally adjusted volume series except for Portugal

**Leading Indicator** A composite indicator, based on other indicators of economic activity (employment, sales, income, etc.), which signals cyclical movements in industrial production from six to nine months in advance


**Consumer Price Index** Measures changes in average retail prices of a fixed basket of goods and services

**Current Balance** \$ billion; not seasonally adjusted except for the United States

**Unemployment Rate** % of total labour force – ILO standardised unemployment rate; national definitions for Austria, Denmark, Iceland, Mexico, Switzerland and Turkey; seasonally adjusted apart from Turkey


**Interest Rate** Three months, except for Greece (twelve months)

Source: Main Economic Indicators, OECD Publications, Paris, February 1996.




**AUSTRIA**

	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	-0.6	1.2
Leading Indicator	Oct. 95	0.4	-0.5
Consumer Price Index	Dec. 95	-0.1	1.8
		current period	same period last year
Current Balance	Nov. 95	-0.84	-0.67
Unemployment Rate	Dec. 95	6.8	6.3
Interest Rate	Dec. 95	4.06	5.15




**BELGIUM**

	period	% change from previous	
		period	year
Gross Domestic Product	1994		2.2
Leading Indicator	Dec. 95	-0.6	-8.7
Consumer Price Index	Jan. 96	0.9	1.9
		current period	same period last year
Current Balance	Q4 94	3.87	4.07
Unemployment Rate	Dec. 95	10.0	9.8
Interest Rate	Jan. 96	3.50	5.36



**CANADA**

	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.5	1.9
Leading Indicator	Nov. 95	0.4	-2.6
Consumer Price Index	Dec. 95	-0.1	1.7
		current period	same period last year
Current Balance	Q3 95	-1.30	-2.74
Unemployment Rate	Dec. 95	9.4	9.5
Interest Rate	Jan. 96	5.51	7.70




**DENMARK**

	period	% change from previous	
		period	year
Gross Domestic Product	Q2 95	-0.5	2.6
Leading Indicator	Oct. 95	0.6	-2.8
Consumer Price Index	Dec. 95	-0.1	1.8
		current period	same period last year
Current Balance	Q3 95	1.19	1.55
Unemployment Rate	Nov. 95	9.3	11.1
Interest Rate	Jan. 96	4.30	6.00




**FINLAND**

	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	-0.4	2.6
Leading Indicator	Oct. 95	-1.3	-4.8
Consumer Price Index	Dec. 95	-0.1	0.3
		current period	same period last year
Current Balance	Dec. 95	0.54	-0.35
Unemployment Rate	Dec. 95	16.5	17.3
Interest Rate	Jan. 96	4.20	5.85



**FRANCE**

	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.2	2.0
Leading Indicator	Dec. 95	-0.5	-5.2
Consumer Price Index	Dec. 95	0.1	2.1
		current period	same period last year
Current Balance	Q2 95	4.92	1.05
Unemployment Rate	Dec. 95	11.7	12.0
Interest Rate	Jan. 96	4.70	5.92




**GERMANY**

	period	% change from previous	
		period	year
Gross Domestic Product	Q2 95	1.1	2.5
Leading Indicator	Nov. 95	0.4	-2.2
Consumer Price Index	Dec. 95	0.3	1.8
		current period	same period last year
Current Balance	Oct. 95	-2.94	-4.01
Unemployment Rate	Oct. 95	8.3	8.1
Interest Rate	Jan. 96	3.61	5.16



**GREECE**


	period	% change from previous	
		period	year
Gross Domestic Product	1993		0.6
Leading Indicator	Dec. 95	0.0	3.6
Consumer Price Index	Jan. 96	-0.1	8.4
		current period	same period last year
Current Balance	Oct. 95	-0.65	0.16
Unemployment Rate		..	..
Interest Rate	Dec. 95	14.20	17.50




**ICELAND**

	period	% change from previous	
		period	year
Gross Domestic Product	1994		2.8
Leading Indicator		..	..
Consumer Price Index	Jan. 96	0.4	1.6
		current period	same period last year
Current Balance	Q3 95	0.06	0.07
Unemployment Rate	Nov. 95	5.2	4.5
Interest Rate	Dec. 95	7.30	5.50







IRELAND			
	period	% change from previous	
		period	year
Gross Domestic Product	1993		4.0
Leading Indicator	Dec. 95	1.2	9.1
Consumer Price Index	Q4 95	0.1	2.4
		current period	same period last year
Current Balance	Q2 95	1.51	0.42
Unemployment Rate	Dec. 95	13.0	13.3
Interest Rate	Jan. 96	5.09	6.13




LUXEMBOURG			
	period	% change from previous	
		period	year
Gross Domestic Product	1994		3.3
Leading Indicator	Dec. 95	-0.9	-8.3
Consumer Price Index	Jan. 96	0.2	1.1
		current period	same period last year
Current Balance		..	..
Unemployment Rate		..	..
Interest Rate		..	..



NEW ZEALAND			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.1	2.3
Leading Indicator		..	..
Consumer Price Index	Q4 95	0.6	2.9
		current period	same period last year
Current Balance	Q3 95	-1.15	-0.84
Unemployment Rate	Q3 95	6.1	7.8
Interest Rate	Dec. 95	8.59	9.56



SPAIN			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.5	2.9
Leading Indicator	Nov. 95	0.6	-3.4
Consumer Price Index	Dec. 95	0.3	4.3
		current period	same period last year
Current Balance	Nov. 95	0.70	-0.40
Unemployment Rate	Q3 95	22.8	23.9
Interest Rate	Jan. 96	8.89	8.94




TURKEY			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	-0.6	9.8
Leading Indicator		..	..
Consumer Price Index	Dec. 95	3.5	78.9
		current period	same period last year
Current Balance	Q3 95	-0.04	2.01
Unemployment Rate	Q2 95	7.2	8.4
Interest Rate	Jan. 96	111.99	108.07




ITALY			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	2.0	3.4
Leading Indicator	Dec. 95	1.4	-1.5
Consumer Price Index	Dec. 95	0.2	5.8
		current period	same period last year
Current Balance	Sep. 95	2.56	0.89
Unemployment Rate	Q3 95	12.1	10.9
Interest Rate	Jan. 96	10.07	9.13




MEXICO			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	1.3	-9.6
Leading Indicator		..	..
Consumer Price Index	Dec. 95	3.3	52.0
		current period	same period last year
Current Balance	Q3 95	-0.50	-7.65
Unemployment Rate	Dec. 95	6.5	4.0
Interest Rate	Jan. 96	40.94	39.23



NORWAY			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	1.0	4.2
Leading Indicator	Oct. 95	0.3	-1.4
Consumer Price Index	Dec. 95	0.0	2.2
		current period	same period last year
Current Balance	May 95	-0.08	0.33
Unemployment Rate	Q3 95	4.6	5.2
Interest Rate	Jan. 96	5.48	5.76




SWEDEN			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.3	3.8
Leading Indicator	Dec. 95	-0.4	-1.7
Consumer Price Index	Dec. 95	-0.3	2.2
		current period	same period last year
Current Balance	Nov. 95	0.58	0.18
Unemployment Rate	Nov. 95	9.4	9.6
Interest Rate	Jan. 96	8.19	8.02




UNITED KINGDOM			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.4	2.1
Leading Indicator	Nov. 95	0.0	-0.4
Consumer Price Index	Dec. 95	0.6	3.2
		current period	same period last year
Current Balance	Q3 95	-2.66	-0.19
Unemployment Rate	Dec. 95	8.6	8.8
Interest Rate	Dec. 95	6.49	6.37




JAPAN			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.2	-0.2
Leading Indicator	Dec. 95	0.5	4.7
Consumer Price Index	Dec. 95	0.1	-0.3
		current period	same period last year
Current Balance	Nov. 95	7.02	9.55
Unemployment Rate	Nov. 95	3.4	2.9
Interest Rate	Jan. 96	0.54	2.33




NETHERLANDS			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.3	2.1
Leading Indicator	Dec. 95	0.3	0.4
Consumer Price Index	Dec. 95	-0.3	1.6
		current period	same period last year
Current Balance	Q2 95	4.03	3.59
Unemployment Rate	Nov. 95	6.5	6.8
Interest Rate	Jan. 96	3.28	5.18



PORTUGAL			
	period	% change from previous	
		period	year
Gross Domestic Product	Q4 94	1.0	0.1
Leading Indicator	Oct. 95	-1.1	-9.3
Consumer Price Index	Dec. 95	-0.2	3.4
		current period	same period last year
Current Balance	Q4 94	-0.94	0.02
Unemployment Rate	Q4 95	7.1	6.9
Interest Rate	Jan. 96	8.27	10.53



SWITZERLAND			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.0	0.7
Leading Indicator	Dec. 95	-0.1	2.2
Consumer Price Index	Dec. 95	0.0	2.0
		current period	same period last year
Current Balance	Q1 95	5.83	6.13
Unemployment Rate	Dec. 95	4.2	4.4
Interest Rate	Jan. 96	1.64	3.96



UNITED STATES			
	period	% change from previous	
		period	year
Gross Domestic Product	Q3 95	0.8	1.9
Leading Indicator	Dec. 95	0.8	-1.0
Consumer Price Index	Dec. 95	-0.1	2.5
		current period	same period last year
Current Balance	Q3 95	-39.48	-39.71
Unemployment Rate	Dec. 95	5.5	5.4
Interest Rate	Jan. 96	5.39	6.24



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*NEA (Nuclear Energy Agency)*

**Physics of Plutonium  
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January 1995

Studies on fast reactors have historically concentrated on their capability to use plutonium produced in thermal reactors as initial fuel, and subsequently their capacity to produce electricity while breeding new plutonium fuel from the uranium they consume. Since such breeder reactors are unlikely to be deployed on a large industrial scale in



the medium term, an excess of plutonium from thermal reactors is accumulating. Consequently some countries are seeking to balance their stockpile of separated plutonium by recycling it in thermal reactors. But there is a limit to the number of times plutonium can be recycled this way, because its isotopic quality degrades with every cycle. For this reason, fast reactors which are configured for net plutonium burning, are being considered for the medium term as means of reducing the stock of plutonium of variable isotopic quality.

In order to understand better the physics of such fast burner reactor systems, benchmark studies were specified for four scenarios: one for an oxide-fuelled fast reactor and three for a metal-fuelled one.

This report covers the benchmarking of codes and data sets on beginning-of-life configurations of oxide-fuelled and metal-fuelled fast plutonium-burner reactors. Discrepancies among participants' solutions for the neutron balance and its components are identified. Methods required for obtaining satisfactory results are also identified as are requirements for supporting critical facility measurements.

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### Physics of Plutonium Recycling Volume V

January 1996

Studies on fast reactors have historically concentrated on their capability to use plutonium produced in thermal reactors as initial fuel, and subsequently their capacity to produce electricity while breeding new plutonium fuel from the uranium they consume. Since such breeder reactors are unlikely to be deployed on a large industrial scale in the medium term, an excess of plutonium from thermal reactors is accumulating. Consequently some countries are seeking to balance their stockpile of separated plutonium by recycling it in thermal reactors. But there is a limit to the number of times plutonium can be

recycled this way, because its isotopic quality degrades with every cycle. For this reason, fast reactors which are configured for net plutonium burning are being considered for the medium term as a means of reducing the stock of plutonium of variable isotopic quality.

In order to understand better the physics of such fast burner reactor systems, benchmark studies were specified for four scenarios: one for an oxide-fuelled fast reactor and three for a metal-fuelled one.

This report covers the performance of fast burner reactors operating in a multirecycle mode. Benchmark results assess metal-fuelled fast burner reactor performance parametrically in transuranic conversion ratio (0.5 to 1.0), and determine the net toxicity flow to a geologic repository when a closed fast burner fuel cycle is used to burn the thermal reactor spent fuel. It is found that a fast burner reactor closed fuel cycle could be utilised to reduce significantly the radiotoxicity originating in the light-water reactor cycle which otherwise was destined for burial in the repository.

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Volume I: Issues and Perspectives  
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### OECD Documents

### The Implementation of Short-term Countermeasures After a Nuclear Accident (Stable Iodine, Sheltering and Evacuation)

Proceedings of an NEA Workshop. Stockholm, Sweden, 1-3 June 1994

January 1996

Emergency planning and preparedness, and emergency management are two of the most important elements of any country's nuclear power programme. Although much improvement in these areas has been made since the Chernobyl accident in 1986, governments continue to strive to test and update their programmes, and to find better methods for the practical imple-

mentation of countermeasures in case of an accident.

These proceedings present the results of a workshop organised by the OECD Nuclear Energy Agency to discuss these issues. The conclusions drawn by the workshop participants show that considerable progress has been made in this area, although additional refinement is necessary in the area of international co-ordination of countermeasures, and in the details of the practical implementation of countermeasures. Recommendations as to further improvements in these areas are also included.

(66 95 21 1) ISBN 92-64-14689-X, 318pp.  
France: FF210; elsewhere: FF275 US\$54 DM80

### Nuclear Law Bulletin No. 56

December 1995

(67 95 56 1), 118pp.  
France: FF210; elsewhere: FF230 US\$44 DM88  
ISSN 0304-341X

### Nuclear Law Bulletin Supplement to No. 56: Ukraine Law on the Use of Nuclear Energy and Radiation Safety

December 1995

(67 95 03 1) ISBN 92-64-14700-4, 44pp.  
France: FF50; elsewhere: FF65 US\$13 DM19

## Environment

### Environmental Performance Reviews

### United States

January 1996

This report is part of the recent OECD Environmental Performance Review Programme which conducts peer reviews of environmental conditions and progress in each member country. It scrutinises efforts to meet both domestic objectives and international commitments. In addition, these reviews evaluate progress in reducing the pollution burden, improving natural resource management, integrating environmental and economic policies, and in strengthening international co-operation. A broad range of economic and environmental data supports the analyses.

Environmental performance reviews of Germany, Iceland, Norway, Portugal, Japan, Italy, the United Kingdom, Poland, the Netherlands, Austria, and Canada have already been published.

(97 96 02 1) ISBN 92-64-14771-3, 274pp.  
France: FF140; elsewhere: FF180 US\$35 DM55

### Climate Change, Economic Instruments and Income Distribution

January 1996

Economic instruments, such as emission taxes and tradable emission permits, are often proposed as policies for reducing greenhouse gas emissions. These particular instruments are attracting a great deal of attention because they appear to be one of the best ways of lowering the total costs of emission abatement. Consequently, they are often considered to be the most cost-efficient policies available. But economic efficiency is not the only important criterion for decision: distributive effects must also be considered.

This volume focuses on the potential distributive effects of a tax or a tradable permit response to the threat of climate change. These are assessed in terms of individual income groups, economic sectors, and nations. The volume also suggests broad approaches for mitigating or compensating any adverse effects associated with these instruments.

(97 95 15 1) ISBN 92-64-14671-7, 68pp.  
France: FF75; elsewhere: FF100 US\$19 DM28

### Implementation Strategies for Environmental Taxes

February 1996

See Jean-Philippe Barde and Jeffrey Owens, 'The Evolution of Eco-taxes', *The OECD Observer*, No. 198, February/March 1996.

(97 96 01 1) ISBN 92-64-14686-5, 150pp.  
France: FF180; elsewhere: FF235 US\$46 DM68

### Integrating Environment and Economy Progress in the 1990s

February 1996

In 1991, OECD Environment Ministers agreed that better integrated economic and environmental decision-making was a key environmental challenge for governments in the 1990s.

What progress has been made since then and what remains to be done? This overview charts that progress, and explores, in particular, the linkages between environmental policy and the agriculture, transport and energy sectors of the economy. The interface between environmental and fiscal, trade, and employment policies is given special attention. Recent work regarding the analytical tools necessary for assessing progress, and the institutional responses to the challenge of environment-economy integration are also ex-



plored. Finally, suggestions are made concerning future work in this field. See Michel Potier, 'Integrating Environment and Economy', **The OECD Observer**, No. 198, February/March 1996. (97 96 04 1) ISBN 92-64-14774-8, 63pp. France: FF70; elsewhere: FF90 US\$19 DM26

### OECD Guidelines for the Testing of Chemicals Sixth Addendum

December 1995

See Jeanne Richards, 'Testing Pesticides', **The OECD Observer**, No. 198, February/March 1996.

(97 95 52 1), 100pp.

France: FF90; elsewhere: FF115 US\$24 DM34

CCET (Centre for Co-operation with the Economies in Transition)

### Environmental Funds in Economies in Transition

January 1996

Most central and eastern European countries and most of the New Independent States of the former Soviet Union face daunting environmental challenges. In a context of severe budgetary constraints, financing environmental expenditures is a key challenge and common problem in the region. Environmental Funds redistribute pollution taxes and charges, and have provided an innovative mechanism for financing environmental expenditures in these regions. The experience gained is of interest in other regions and contributes to the broader debate on environmental financing.

(14 95 13 1) ISBN 92-64-14653-9, 150pp.

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\*Also available on diskette.

### Future Global Capital Shortages Real Threat or Pure Fiction?

January 1996

Is the world economy headed for a critical shortage of capital in the coming years? The superficial signs are certainly ominous: many OECD countries are facing long-term declines in saving rates, rapid population aging and high public-sector deficits, potentially squeezing the amount of capital available in the industrialised world for investment. At the same time, the investment requirements of emerging economies in Asia, Latin America, and Central and Eastern Europe are growing, heightening fears that world-wide demand for capital will outrun supply. But will it happen?

This publication reflects the discussions held at a conference under the auspices of the OECD Forum for the Future. Key players in government, central banks, business and industry came together to review the long-term outlook for savings and investment in the major regions of the world economy. They looked at possible developments in future global demand for capital and explored key policy issues. How will savings and investment evolve in OECD countries over the next 30 years, especially in light of the implications of aging populations? What are the long-term prospects for savings and investment in non-OECD countries? Will the emerging dynamic economies of East and South-east Asia continue to be largely self-sufficient in savings? What role will the transition economies of Eastern and Central Europe play? Finally, are significant global imbalances in savings and investment likely to emerge in the decades ahead?

See Barrie Stevens, 'A Looming World Capital Shortage?', **The OECD Observer**, No. 196, October/November 1995.

(03 96 01 1) ISBN 92-64-14644-X, 180pp.

France: FF230; elsewhere: FF300 US\$62 DM86

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### Corporate Insolvency Procedures as a Tool for Privatisation and Restructuring Trends and Policies in Privatisation Vol. II, No. 2

January 1995

This publication provides twice yearly reviews of recent developments in privatisation and a comparative analysis of experiences in central and eastern European countries and the New Independent States of the former Soviet Union. Privatisation is a key element of structural reform. The ambitious programmes launched in these countries are unprecedented, both in terms of size and possible repercussions. Reliable comparative data and analyses of developments are vital for their success.

This publication also addresses specific privatisation topics. The approach is interdisciplinary; legal, economic and organisational aspects all come within its scope. It provides decision-makers with a comprehensive view of the policy alternatives and their analytical foundations, as well as experience in their implementation.

(06 94 02 3) ISBN 92-64-04620-8, bilingual, 294pp.

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France: FF160; elsewhere: FF175 US\$32 DM55

### Industry, Science and Technology

Reviews of National Science and Technology Policy

#### Turkey

January 1996

In spite of a research and development (R&D) effort that is relatively small when compared with that of other OECD countries, Turkey has begun to strengthen its science and technology (S&T) system.

This publication reviews the reforms of the last few years. The examiners make a number of recommendations designed to reinforce the S&T system. These include increasing resources, better co-ordinating S&T policy, establishing a national R&D/S&T budget, generating a better synergy between universities, public research institutions and businesses, and establishing a number of support measures for technological innovation in small and medium-sized enterprises.

See Giovanni Rufo, 'The Technology Challenge in Turkey', **The OECD Observer**, No. 198, February/March 1996.

(92 95 14 1) ISBN 92-64-14641-5, 148pp.

France: FF110; elsewhere: FF145 US\$30 DM40

### Main Science and Technology Indicators 1995/2\*

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This twice-yearly, bilingual publication contains data on the scientific and technological performance of the OECD countries. It summarises and updates the OECD Basic Science and Technology Statistics published every two years (annually on diskette).

The data presented here include final and provisional results and government forecasts covering such topics as resources devoted to research and development, patents, the technology balance of payments, and international trade in high-technology products. Supporting background economic series are also included.

(94 95 02 3), bilingual, 78pp.

ISSN 1011-792X

1996 Subscription:

France: FF200; elsewhere: FF220 US\$42 DM84

\*Also available on diskette and magnetic tape.

### Innovation, Patents and Technological Strategies

February 1996

In order to understand the relationship between science and technology, economic performance, and well-being, statistics and pertinent indicators are necessary. This is all the more true given the radical recent changes in methods for analysing the process of innovation. Interactive models and such notions as technological trajectories have replaced earlier concepts of linearity and isolated innovation.

This book is based on the initial results of new enquiries into innovation, and recent studies using patent data. It sheds new light on the nature of technological change and its effects on productivity and international competitiveness. While emphasising the different strategies adopted in specific industrial or technological sectors, it brings out possible uses of new analytical tools, their complementarity and limits, and suggests improvements or directions for future research.

(92 96 03 1) ISBN 92-64-14661-X, 236pp.

France: FF280; elsewhere: FF350 US\$72 DM101

### The Global Environmental Goods and Services Industry

January 1996

The environment industry focuses on pollution control and reduction, clean-up and waste handling equipment and related services. With an estimated turnover of US\$250 billion and employment of approximately 1% of total workers in OECD countries, it is driven



by regulations and growing public awareness of the necessity of cleaner products, and more sustainable production and consumption. Given this broad sweep of activities, what brakes its development? What impact do current policies have on this new, evolving and as yet too-little-examined industry?

(70 96 01 1) ISBN 92-64-14693-8, 42pp.  
France: FF60; elsewhere: FF80 US\$16 DM22

### Information Technology Outlook 1995

February 1996

*Information Technology Outlook 1995* is a compilation of internationally comparable data and analysis on trends in the information technology sector, concentrating on the OECD countries. The *Outlook* draws on a wide variety of private and official data sources to cover the development of computer hardware, components, software and services, their expanding markets, their place in the economy as a whole, their regulatory and policy environment and their economic and societal impacts. It provides key facts and figures for understanding this dynamic sector, particularly in light of the quickening pace of developments in digital technology, multimedia applications, national and global information infrastructures, and the 'information society'.

See Vivian Bayar and Pierre Montagnier, 'The Information Technology Industry', *The OECD Observer*, No. 198, February/March 1996.

(93 95 07 1) ISBN 92-64-14652-0, 198pp.  
France: FF160; elsewhere: FF210 US\$43 DM60

### The Environment Industry The Washington Meeting

February 1996

*The Global Environmental Goods and Services Industry* (OECD, 1996) described the situation of an environment industry which is growing rapidly but which, for lack of accurate analysis and data, cannot be precisely defined and classified. This publication compiles the proceedings of a workshop on the Global Environment Industry designed to improve analysis of this sector, provide comparable data on employment and growth potential, and break new ground on a common definition and classification.

This workshop was convened by the OECD, in collaboration with the US Department of Commerce and the US Environmental Protection Agency. It gathered 40 experts from the public and private sector, as well as from the European Commission, the World Bank, the

Asian Development Bank and UNIDO.  
(70 96 02 1) ISBN 92-64-14768-3, 285pp.  
France: FF190; elsewhere: FF245 US\$51 DM72

## Labour Market and Social Issues

### Migration and the Labour Market in Asia Prospects to the Year 2000

January 1996

East Asia has had the world's highest rate of economic growth over the last decade. Migration has become a central question in regional debates on international economic relations which, until now, have focussed mainly on trade and capital movements.

The concerns raised by international migration in Asia resemble those of many OECD countries: to monitor and adequately control migration, combat illegal migration, manage migration flows in accordance with both labour market requirements and the ability to absorb foreign workers, and accord more emphasis to the migration of temporary and skilled labour.

This publication presents recent developments in migration in Japan, China, Hong Kong, Indonesia, the Republic of Korea, Malaysia, the Philippines, Singapore and Thailand. It analyses the major structural changes in the labour markets of several Asian countries and their impact on the scale, nature and direction of migration flows. It examines the orderly movement of workers, the status of immigrants, and the forms of international co-operation that would help to generate more job opportunities in sending countries, the only adequate response to increasing migration.

(81 96 03 1) ISBN 92-64-14775-6, 250pp.  
France: FF150; elsewhere: FF195 US\$40 DM57

## Transport

ECMT (European Conference of Ministers of Transport)

### Activities of the Conference Resolutions of the Council of Ministers of Transport and Reports Approved in 1994

41st Annual Report - 1994  
December 1995

This publication describes the activities of the European Conference of Ministers of Transport during 1994 and sets out the Resolutions and reports approved by the Council of Ministers of Transport during that year. The organisation chart of the Conference is also given at the end of this volume.

(75 95 11 1) ISBN 92-821-1209-8, 284pp.  
France: FF250; elsewhere: FF325 US\$64 DM95

### Round Table 100

### Transport Economics Past Trends and Future Prospects

December 1995

To mark its hundredth Round Table on transport economics, the ECMT decided to publish a special issue. Fifty European experts were asked to submit papers examining not only the major issues addressed by transport economics in the past, but also those that are likely to emerge in the future. What are the main difficulties facing transport economics? What have been the main advances and how can they help us to solve problems? What remains to be done? The same fifty experts were then invited to take part in an open debate on the issues which they had raised in their papers, ranging from methodological tools to strategies for European transport policies and from the situation of countries in transition to the environment, intermodal transport, new technologies, infrastructure and many other topics.

These papers are presented in this volume which also includes a full summary of the discussions at the Round Table.

(75 95 12 1) ISBN 92-821-1208-X, 266pp.  
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### Combined Transport Hearing of Combined Transport Organisations and Companies

January 1996

When professional organisations and combined transport companies met recently at a hearing organised by the ECMT Group on Combined Transport at the OECD headquarters, they exchanged views on the difficulties and perspectives of combined transport which emphasised the problems encountered by each traditional mode of transport. This publication presents the point of view of each participant, and gives a complete picture of the problems of combined transport.

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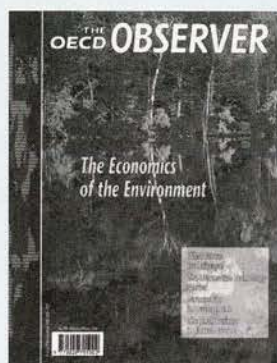
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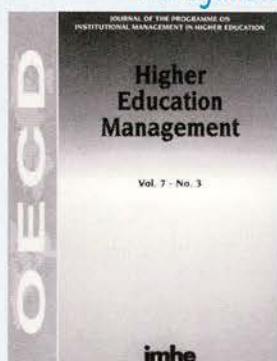
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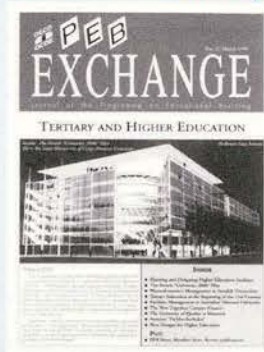
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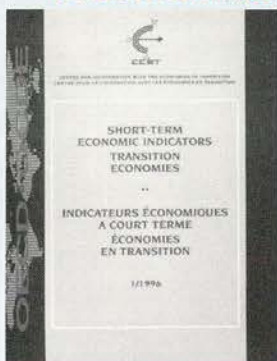
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