

oecd Observer

Ministers' roundtable
Education: What progress?
E-commerce tax riddle

No. 239 – September 2003

www.oecdobserver.org

WANTED
More and Better
JOBS
with
Benefits & Training
All Offers Considered
P.O. BOX 42858

Autos
Wanted to sell them...
Should be...
In...
The work...
From...
The...
The...
The...

Appointments
Wanted to...
Should be...
In...
The work...
From...
The...
The...
The...

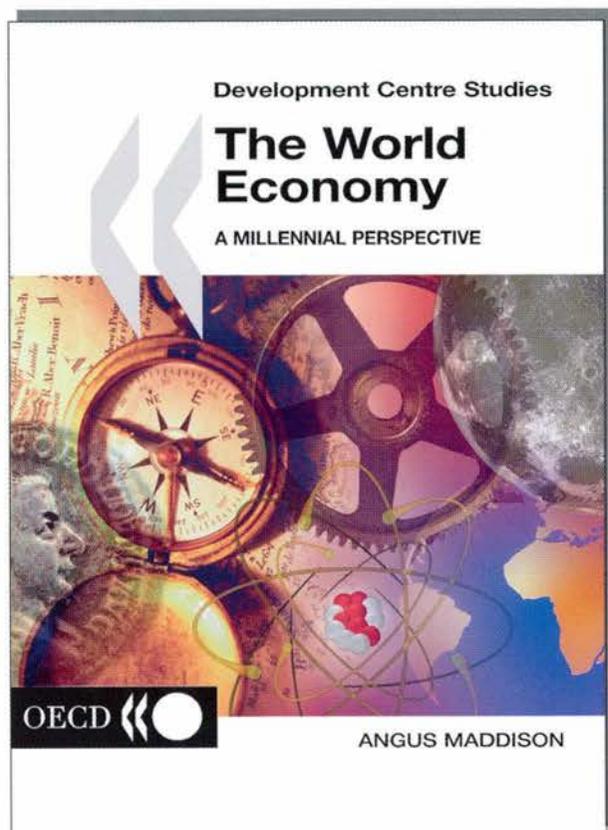
Employment challenge

OECD 



OECD Meeting of Employment and Labour Ministers 2003
Spotlight: Towards more and better jobs

Bestseller



"This work is a tour de force. In three brilliantly concise chapters and six invaluable statistical appendices, Maddison presents the comprehensive quantitative analysis of the history of the millennium that has just passed..."

Robert Mundell, Nobel Prize Winner in Economic Science (1999)

"...a remarkable synthesis of data."

Paul Krugman, Princeton University.

"Quite simply a dazzling essay..."

Nicholas Eberstadt, American Enterprise Institute.

ISBN: 92-64-18608-5

OECD
ONLINE BOOK SHOP

www.TheWorldEconomy.org

OECD

Contents

No. 239 – SEPTEMBER 2003

LETTERS

- 2 Anna Lindh; Globalising OECD

EDITORIAL

- 3 Towards more and better jobs
Donald J. Johnston

NEWS BRIEF

- 4 Cancun setback; Shipping warning; Chemical safety; Steel progress; Signs of recovery; Combat against terrorist financing continues; Mixed trade picture; Jobless lower; Corruption busting

ECONOMY

- 9 Recovery on track: Forecast update
11 Solving the e-commerce tax riddle
David Holmes

SPOTLIGHT: EMPLOYMENT

- 13 No single road to high employment
Raymond Torres
- 15 What OECD ministers are doing:
Roundtable with the employment ministers
of France, Canada, Finland, Japan, Mexico,
New Zealand and the UK
- 19 Population ageing: Facing the challenge
Jean-Philippe Cotis
- 21 Employing the non-employed
Glenda Quintini and Paul Swaim
- 23 Making benefits work
David Grubb
- 25 Training time, training gap
- 26 More jobs and better pay
Anne St. Martin and Peter Whiteford
- 28 Long hours and headaches
- 29 More jobs, greater choice
Thomas R. Vant
- 30 Reassessing the Jobs Strategy
Roland Schneider
- 31 Frankie.org



Recovery on track,
page 9



Roundtable: François Fillon,
France's minister for social
affairs, page 15



Make benefits work,
page 23



Education: What progress?,
page 33

SOCIETY

- 33 Progress in education: Studying the signs
Andreas Schleicher
- 35 Can you swing it?

DEVELOPMENT

- 36 Cancun and the Doha agenda: The key
challenges
*Joint Declaration by the Heads of the IMF,
OECD and World Bank*

OECD.ORG

- 38 Developing trade; Czech president's visit;
Long-term energy; Knowledge forum looks
at new world order
- 39 Calendar

BOOKS

- 40 Less work, more play; Out of the Japanese
kitchen; Lights out, but what about the
markets?; Power to burn; Being a pig
- 42 New publications
- 44 Order form

DATABANK

- 45 The e in e-government; Are you being
served?; Special relationship; Energy
borders
- 46 Indicators

On the cover Jobs wanted by David Rooney

Unemployment has started to increase again across the OECD. It is a stark reminder that the fight against high and persistent joblessness must remain at the top of the policy agenda. OECD governments face a tough employment challenge. If participation is not increased, population ageing will threaten the solvency of important social programmes and create a drag on living standards. Thankfully, this scenario is not a fatality.



Observer oecd

www.oecdobserver.org

Observer^{oecd}

www.oecdobserver.org
© OECD 2003

2003 subscription rate:
€50 – US\$50 – £31 – ¥5 900
ISSN 0029-7054
Tel.: +33 (0) 1 45 24 82 00
Fax: +33 (0) 1 45 24 82 10
sales@oecd.org

Founded in 1962
The magazine of the Organisation for
Economic Co-operation and Development

OECD Publications
2 rue André-Pascal
75775 Paris cedex 16, France
observer@oecd.org
www.oecd.org

Published in English and French
by OECD and Financial Times Business Ltd,
Tabernacle Court, 16-28 Tabernacle Street,
London EC2A 4DD.
Tel: +44 (0)20 7382 8000

EDITOR-IN-CHIEF: Rory J. Clarke
SENIOR EDITOR: Sue Kendall-Bilicki
STATISTICS EDITOR: Eileen Capponi
EDITORIAL ASSISTANTS:
Alison Benney, Rosemary Chas, Aidan Muller
PHOTO RESEARCH: Silvia Thompson
PRODUCTION CO-ORDINATOR:
Nadine N'diaye-Robinson
WEB EDITION: Rory J. Clarke
MARKETING: Toby Green
PRODUCTION DIRECTOR (FTB):
Mhairi Swann
PRODUCTION (FTB):
Celine Bijleveld, Mellisa Atkins
COVER DESIGNER:
Paramjit Virdee
ASSOCIATE PUBLISHER (FTB):
Angus Cushley

GLOBAL ADVERTISING MANAGER (FTB):
Simon Blackmore, +44 (0)20 7382 8443

PRINTERS: St Ives

Applications for permission to reproduce or
translate all or parts of articles from the
OECD Observer, should be addressed to:

The Editor,
OECD Observer
2 rue André-Pascal,
75775 Paris, cedex 16, France.

All signed articles and letters express
the opinions of the authors and do not
necessarily represent the opinion of
the OECD.

Reprinted and translated articles should carry
the credit line "Reprinted from the OECD
Observer", plus the date of issue. Signed articles
reprinted must bear the author's name. Two
voucher copies should be sent to the Editor.
All correspondence should be addressed to the
Editor. The Organisation cannot be responsible
for returning unsolicited manuscripts.

FT Business
FINANCIAL TIMES



©ALEXANDER DEMIANCHUK/REUTERS 2003

Anna Lindh, Sweden's much loved and respected foreign minister, died tragically on 11 September 2003 from wounds sustained in a brutal stabbing at a Stockholm department store the day before.

We offer our deepest and heartfelt sympathy to Ms Lindh's family and friends, and to the people of Sweden.

Med vår djupaste medkänsla.

Globalising OECD

In "The battle for world progress" (*OECD Observer* No. 236, March 2003), Ron Gass discusses the uneasy march of globalisation, and proposes that the OECD take a leadership role in the "socio-political leg of the fair distribution of wealth" of Arnold Toynbee's theory of progress; that OECD provide the policy bridge between the "Davos" forces and the "Porto Alegre" forces. Although this suggestion is a noble idea, it is flawed because in the eyes of those who lead the second leg – those involved in the alternative globalisation movement – the OECD has unfortunately sacrificed its vaunted impartiality by serving as the main forum for

the development and the eventual implementation of the multilateral agreement on investment (MAI), a strategy that, some argue, was outside the OECD's original mandate.

Further, Mr Gass states that, as the successor to the OEEC (Organisation for European Economic Co-operation), the OECD should retain the spirit of the Marshall Plan, and "keep the notion of progress alive" for the world as a whole. Alas, the OECD's definition of progress is filtered through the eyes of its member countries – as Mr Gass notes, it is labelled by some as "the rich man's club" – and this manifestly skews its position, promoting the agenda of the

privileged. And, as the protests against the MAI showed, this definition of progress is not even universally supported by the OECD's own citizens.

Fundamentally, if the OECD really wants its reports and findings to be heard and used by people on both sides of the globalisation debate, so that "more countries can play an autonomous role in the world economy", then the organisation will have to instead play a lower-key role in controversy, on topics ranging from biodiversity to trade, in order to retain its avowed professional impartiality and regain its credibility.

Claude Théoret
Paris, France

Towards more and better jobs

Donald J. Johnston, Secretary-General of the OECD

After a decade of rising employment, innovative start-ups and widespread business euphoria, unemployment has started to increase again across the OECD. It seems that the rise in unemployment is less pronounced than was the case in previous bouts of economic weakness, and this reflects encouraging improvements in structural employment. Still, it is a stark reminder that the fight against high and persistent joblessness must remain at the top of the policy agenda.

The deterioration of labour market conditions in the last couple of years could affect some groups more than others, with older workers, women, lone parents, people with disabilities, immigrants and disadvantaged youth bearing the brunt. The trouble is, these groups are already under-represented in employment. Mobilising them into jobs would surely boost employment potential, as well as helping to combat exclusion and poverty. Indeed, several countries have shown they can raise employment by increasing the participation rate of these under-represented groups.

For years, governments have been concerned with fighting unemployment, and though this battle must continue, it must be reinforced by measures to attract more non-employed people into the workforce. After all, higher labour market participation, and not lower unemployment, is the main driver behind employment gains. This is a fact our ageing populations cannot afford to overlook. Population ageing brings pressures on welfare costs and so requires urgent action to boost employment activity. Unless participation rates are increased, population ageing will put a brake on labour force expansion, undermining growth and prosperity. In sum, the returns on fostering greater participation are high.

Reducing non-employment – and not just unemployment – serves social objectives as well as economic ones. Many badly-designed policies that have attempted to reduce unemployment through subsidising the withdrawal of people from the labour market have proved to be counterproductive. Yet, with the right encouragement and assistance, many working-age recipients of social benefits could work. Both they and society would benefit from their greater integration into the labour market.

Non-employment is frequently the result of individual choice. Some parents prefer to take care of their children themselves, for instance. Retirement too can be a household decision: when one partner retires, it is often the case that the other partner withdraws from the labour market, even if this means a loss of income. Clearly, these decisions have to be respected and supported.

But there are barriers to participation also. High minimum wages and regulations setting minimum quality thresholds for jobs have the potential to limit employment opportunities, especially for women, older workers and so on. The tax system may also influence the decision to participate in the labour market, creating inactivity or poverty “traps”. Moreover, public pension systems and early retirement schemes often create strong financial disincentives

to remain in employment until the official retirement age.

In other words, far from being a choice, many groups feel the labour market is beyond their reach. Even when these people manage to get a job, this feeling of detachment persists. Women do not receive as much in-work training as men, for instance, and many have difficulty moving up the career ladder.

The importance of job-related training to improve career prospects cannot be emphasised enough. Education reduces the risk of workers falling into low-wage traps and helps them improve their productivity and earnings potential. Still, under-represented groups receive far too little training. This situation must be addressed, as policies that help people move up the career ladder should be part of any medium-term employment strategy.

In short, moving beneficiaries from non-employment benefits into jobs has to be a central goal of employment activation policies. Employment services should maintain close and constructive contact with people looking for work, delivering adequate support and counselling, and working to prevent them from slipping out of the labour market altogether. Many governments could do more with the likes of in-work benefits and tax credits to make work pay. They should reduce employer charges where they can. Access to jobs should also be backed by a variety of services and flexible arrangements to help reconcile work and family life. Workplace reorganisation could take account of the reduced capacity of disabled persons. More flexible retirement schemes could be introduced, together with action to ensure that disincentives to hire or retain older workers are removed.

There are many issues on the table and the meeting of OECD employment and labour ministers on 29-30 September 2003 will consider them in relation to a clear target: “Towards More and Better Jobs”. A difficult question is whether policy should emphasise groups which suffer the greatest labour market disadvantage, such as persons with disabilities, or those offering the largest economic potential, like women and older workers. It is a fine distinction. Neither approach can be ignored, for as employment ministers know, to promote a more inclusive society, we need a more prosperous one as well.



• News brief •

Shipping warning

It would cost ship operators over a billion dollars to introduce new security measures to counter the threat of terrorist attacks, but that figure is a lot less than the potential cost of a terrorist attack. This is the conclusion of a new OECD report entitled *Security in Maritime Transport: Risk Factors and Economic Impact*.

World trade is dependent on maritime transport – more than 80% of goods traded worldwide are transported by sea – and great strides have been made in recent years to render this system as open and frictionless as possible in order to spur even greater economic growth. However, the very openness that has allowed maritime transport to flourish and help drive economies also renders it uniquely vulnerable to terrorist attacks that could shut down the entire system as governments put emergency measures into place, the report said.

The risks are numerous and encompass both containerised and bulk shipping. The stakes are high, since any important breakdown in the maritime transport system would damage the world economy.

Governments have stepped up security in the maritime transport network in the wake of the terrorist attacks in the US in 2001, for example, by requiring ship and port security plans and alarm systems for vessels, with most of the measures becoming effective in July 2004. The US has developed its own set of maritime security measures ranging from advance notification of cargo contents for US-bound ships to pre-screening of high-risk cargos at the port where they are loaded.

To implement the new rules, ship operators will have to install security systems and add staff at an estimated cost of US\$1.3bn in initial investment and annual increase in operating costs of US\$730m thereafter, the report found. But this is far less than the potential cost of a large attack on the US maritime system, which could be as high as US\$58bn according to a simulation by the Conference Board and consultant Booz Allen Hamilton Inc. ■

- To read the full report, visit www.oecd.org/sti/maritime-transport

STOP PRESS • STOP PRESS

Cancún setback

The Cancún Ministerial Conference ended as we were going to press on 14 September after the meeting's chairperson, Luis Ernesto Derbez, concluded that despite considerable movement in consultations, members remained entrenched, particularly on the so-called Singapore issues – trade and investment, trade and competition policy, transparency in government procurement and trade facilitation.

Mr Derbez finally proposed a six-paragraph ministerial statement, which was approved in the closing session. This instructs member governments' officials "to continue working on outstanding issues with a renewed sense of urgency and purpose".

Director-General Supachai Panitchpakdi said there was no hiding the fact that the deadlock was a setback. He said he was disappointed but not downhearted. If the Doha Development Agenda fails, the losers will be the poor of the world, he said. ■

- The implications of this latest setback will be discussed in the next OECD Observer and online at www.oecdoobserver.org.

Chemical safety

OECD guidelines for the safe design and operation of chemical plants as well as for action to take in the case of an accident have just been updated. The OECD *Guiding Principles for Chemical Accident Prevention, Preparedness and Response* will help public authorities, industry and communities worldwide to prevent chemical accidents resulting from technological and natural causes, as well as possible terrorist acts. They will also help plan for emergencies and ensure effective communication when they occur, as well as responding to accidents and

minimising their adverse effects. The guidelines also cover follow-up actions including clean-up and accident reporting.

The new guiding principles update those agreed in 1992. They apply to all hazardous installations, meaning fixed plants or sites producing, processing, using, handling, storing or disposing of hazardous substances. That means not just chemical production or processing plants, but other industrial and commercial operations where hazardous substances are handled or stored.

The updated guidelines do not cover radioactivity, which is addressed in other international instruments, nor do they

specifically cover transport of hazardous substances by pipelines, road, rail, sea or air. However, the principles do apply to transfer facilities where hazardous substances are loaded or unloaded. The guidelines are based on the premise that all hazardous installations should be expected to comply with the same overall safety objectives, whether publicly or privately owned and whatever their size and location. The guiding principles are designed to be applicable worldwide and to be consistent with the concept of sustainable development. ■

- For the full text of the *Guiding Principles* and to find out more about the OECD's work on chemical safety, visit www.oecd.org/ehs

A Solution to Monetary Insecurity?

By Bernard Lietaer

A member of the Global Future Forum; Professor, Naropa University, Boulder Co; Author of "Future of Money" (UK: Random House) and "Access to Money beyond Greed and Scarcity" (US: Access Foundation).



According to Paul Volcker, ex-Chairman of the Federal Reserve Board, "The ultimate logic of economic globalization is a stable and common unit of account... in other words, a common world currency." But what steps can be made towards this goal?

Three unresolved issues are haunting the global monetary scene. Firstly, there is no international standard of value – a critical function of any money system. Secondly, currency instability persists. According to the World Bank, 87 countries have experienced monetary crises in the past 25 years, and still counting. Thirdly, institutional deadlock: the banking system isn't pushing for monetary reforms because 'hedging' products (insurance against monetary instabilities) constitute significant profit centres. Furthermore, the current geopolitical environment makes a new Bretton Woods agreement unlikely.

One effect: investments in less

developed countries have proportionally dropped by one third over the past two decades. This has resulted in a demonstrable drop in the standard of living for eighty-nine of those countries. Given the institutional deadlock, what can be done?

"The TRC would operate as a complement to conventional national currencies, in parallel with them."

The TRC Currency

One solution is what the International Air Transport Association (IATA) successfully did 20 years ago through internal currency arrangements among its members, i.e. it created its own Trade Reference Currency (TRC). What is proposed here is to implement a general TRC, useable across industries. Furthermore, this TRC would be designed to provide an inflation-resistant international standard of value, stabilize the business cycle, and realign stockholder's interests with long-term sustainability.

This Trade Reference Currency – let's call it a Terra – would be backed by a standard basket of the most important commodities and services traded in the global market (e.g. oil, wheat, copper, etc., and some standardizable services like international freight or telecom units.) The Terras would be issued by a Terra Alliance as electronic inventory receipts for commodities sold to it by producers.

The cost of storage of the physical commodities would be paid by the bearer of the Terra (estimated at 3.5-4% per annum). This makes the Terra a 'demurrage' currency,

which encourages its use as a contractual, planning and trading device, not as a store of value.

What are the benefits of such a TRC compared to conventional money? First of all, the three issues identified above would be resolved. Terra would indeed be an ideal standard of international value, given that its basket would capture main elements of global trade. It would be a robust standard, given that it is a fully backed currency. Finally, as any TRC trade is basically standardized countertrade (international barter), it doesn't require new legal agreements. Countertrade is routinely practiced today in over 100 countries, with a volume of more than \$1 trillion per year. The Terra would operate as a complement to conventional national currencies, in parallel with them.

There are also three additional benefits to the Terra approach. By definition, it would be an inflation-resistant currency, ideal to track results over long-time periods or across countries. In addition, the Terra would be counter-cyclical to the conventional money creation process, thereby stimulating the world economy in downturns and cooling it off in boom periods. And, last but not least, the demurrage feature would realign financial interest with long-term thinking, thereby resolving the conflict between shareholders' optimization and long-term sustainability.

To read more about this mechanism and the evidence for its claims, visit www.thegff.com/oecd2

• News brief •

Steel progress

The world's major steel-producing economies have made progress on defining elements of an agreement for reducing or eliminating subsidies on steel, and have agreed to continue work on an expedited basis for the rest of 2003 and in 2004.

Senior government officials agreed at a meeting at the OECD headquarters in Paris in July to push ahead with work looking at a blanket prohibition on specific subsidies to the steel industry. This will include work on a limited number of exceptions, such as support to help offset costs of closures of steel plants to reduce capacity. The Disciplines Study Group working on the agreement will also look at special and differential treatment for developing economies and, possibly, for transition economies.

The meeting welcomed progress to date, and officials were encouraged by reports of continued adjustment in the steel industry. Economies taking part in the talks closed down 105 million tonnes of steel capacity between 1998 and 2002, and a further 36 million tonnes are expected to close down between 2003 and 2005.

At the same time, the gap between steel production and capacity is narrowing because consumption growth – at an annual rate of 4% so far in 2003 – is exceeding capacity growth. This favourable development should be reinforced through market-driven restructuring and investment and the elimination of distorting supports and practices, officials agreed. ■

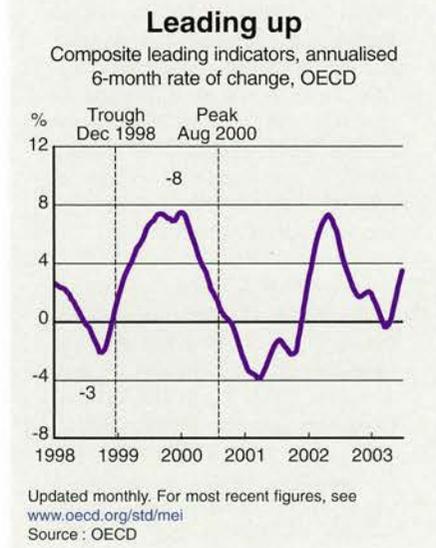
- For more on the OECD's work on steel, visit www.oecd.org/sti, under "Industry Issues".

Signs of recovery

The OECD area is headed for moderate growth, with the United States on the way to a strongly improved performance while the euro area and Japan are in line for moderate growth, according to the latest OECD Composite Leading Indicator (CLI).

The CLI for the OECD area, seen as an indicator of coming economic trends, rose by 1.1 points to 122.1 from May to June. Its six-month rate of change has also risen significantly since April 2003, after a decline that began in May 2002. The CLI for the US increased by a strong 1.7 points in June, while that for the euro area rose by 0.4 points and that for Japan by 1.1 points.

The six-month rate of change for the US also rose substantially for the third consecutive month. The euro area and Japan each saw their six-month rate of change rise for the second month in a row.



However, Italy saw its CLI decrease in June.

The CLIs cover a wide range of key short-term economic indicators and are designed to provide early signals of turning points (peaks and troughs) in economic activity. The chart shows these early signals; e.g. a trough for December 1998 was predicted three months earlier (-3). ■

Combat against terrorist financing continues

Two years after the events of 11 September in the US, the Financial Action Task Force (FATF), based at the OECD, is continuing to lead global efforts to detect, prevent and dry up the flow of funds to terrorists. "Terrorism and its financing pose serious threats to national, regional and international stability and economic growth. Countering this threat requires a swift and co-ordinated approach" said the new FATF president, Claes Norgren.

In order to assist countries in implementing effective measures to combat the financing of terrorism, the FATF is devising a robust mechanism to freeze and confiscate the assets of terrorists. This mechanism, an interpretative note to the third of the Eight Special Recommendations on Terrorist Financing, will guide countries as they adopt and implement measures which will enable authorities to seize and confiscate assets that are linked to the financing of terrorism. In conjunction with other instruments, like the FATF's new best-practice guidance relating to informal money transfer systems and wire transfer requirements, it will provide a comprehensive framework for combating terrorist financing.

A joint FATF-IMF-World Bank initiative is currently under way to assess compliance by countries across the globe with FATF's anti-money laundering and counter-terrorist financing standards. In a separate initiative, the FATF will be teaming up with the United Nations and other partners to identify terrorist financing weaknesses in national financial systems so that the technical assistance needed to protect them can be provided. ■

- Visit www.fatf-gafi.org



Imagine it:

An IT services
company
that actually
understands
the business
of government.

Done:

More than 1,500
government agencies
worldwide rely on Unisys.

From integrating 13 different IT systems into one for the Belgian Courts of Justice to providing IT security integration for 429 U.S. airports. Unisys delivers. Imagine what we can do for you. To find out, visit www.unisys.com/publicsector1

Precision thinking, relentless execution to drive your vision forward.

- > Systems Integration.
- > Outsourcing.
- > Infrastructure.
- > Server Technology.
- > Consulting.

UNISYS

Imagine it. Done.

unisys.com/publicsector1

• News brief •

Mixed trade picture

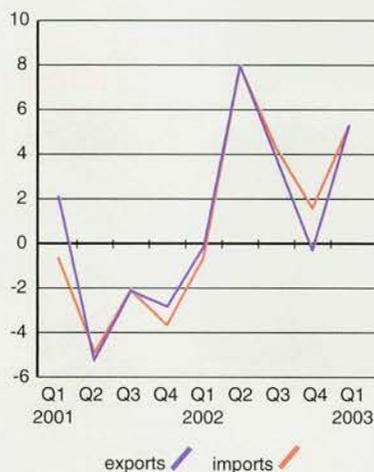
Merchandise trade slowed in the major industrial nations in the first quarter of 2003 in volume terms, with imports into G7 countries falling 1.2% from the previous quarter and exports shrinking by 0.8%. US imports fell 1.7% from the previous quarter, but exports rose 0.5%. Japan showed an increase in both exports, up 0.5%, and imports, up 0.7% from the previous quarter, and also recorded the highest export increase year on year among the G7, up 9.4%.

Germany's export volumes were little changed in the first three months of 2003 in volume terms, up 0.4% from the previous quarter, but import growth for the period was the highest in the G7 at 2.5%. Both France and Italy showed a fall in both imports and exports from the previous quarter. France's export volume was down 4.5% and its import volume 5.7% lower, while Italy saw its exports fall 3.0% in volume terms and its imports drop 4.4%.

For the OECD as a whole, quarterly merchandise trade in value terms remained positive in the first quarter of 2003, with

Trade up

Value growth in OECD merchandise trade (current prices)
% change on the previous quarter



Source: OECD – *Monthly Statistics of International Trade*, September 2003

both exports and imports up 5.3% from the previous quarter, while exports were 18.1% higher than a year earlier and imports were up 20.4%. ■

- For details of quarterly trade statistics and other regular economic indicators, visit www.oecd.org/std/mei

Jobless lower

The standardised unemployment rate for the OECD area fell to 7.2% in July from 7.3% in June, but 0.2 percentage points higher than a year earlier. The jobless rate in the euro area was unchanged from the previous month at 8.9% in July, but was 0.5 percentage points higher than a year earlier. In the United States, the jobless rate fell to 6.2% in July from 6.4% in June, but was 0.4 percentage points higher than a year earlier. In Japan the unemployment level was unchanged from June at 5.3% and fell 0.1 percentage points from a year earlier.

Over the 12 months to July, the standardised unemployment rate in France

rose to 9.4% from 8.9%, while in Germany it rose to 9.4% from 8.6% and in Canada it rose to 7.8% from 7.6%. The UK unemployment rate fell over the 12-month period to 4.9%, from 5.1% a year earlier.

Unemployment figures are considered as a lagging indicator, and so they bear out the OECD's forecast from last April of a cautious recovery in the OECD area, but with difficulties in the euro area economy (see Economy section, page 9). ■

- For full details of standardised unemployment rates in OECD countries, visit www.oecd.org/std/mei, under "Labour Statistics".

Corruption busting

Six transition economies from the former Soviet Union have adopted a new OECD-backed regional action plan to fight corruption. Armenia, Azerbaijan, Georgia, the Russian Federation, Tajikistan and Ukraine formally adopted the plan at a meeting hosted by the OECD and the Turkish government in Istanbul on 10 September.

The plan requires participating countries to increase integrity and transparency in the public services through measures such as fostering impartiality in the civil service and putting an end to patronage and nepotism. The countries also agreed to strengthen anti-bribery systems, and to ensure that anti-bribery legislation is used to prosecute offenders, as well as to encourage public discussion of corruption and citizens' involvement in combating it. It features systems for monitoring and for disclosure of officials' personal assets and sets out ways of giving civil servants, business employees and the general public a greater role in fighting corruption, for example by protecting those who report misconduct.

The action plan was the fruit of co-operation in the Anti-Corruption Network for Transition Economies and was adopted as the Network held its annual meeting at the OECD Centre for Private Sector Development in Istanbul.

The Anti-Corruption Network for Transition Economies includes national governments from 24 transition economies, civil society, international organisations, financial institutions and donors active in the region. The OECD provides secretariat facilities for the Network and will administer the action plan in this capacity. ■

- Visit www.anticorruptionnet.org and www.oecd.org/corruption

Recovery on track

Forecast update*



The cautious recovery the OECD forecast last April is progressing as expected, with one or two positive surprises, but with deteriorating public deficits setting a worrying trend.

The US recovery is, by and large, unfolding as projected in the *OECD Economic Outlook* published last April. In Japan, growth has surprised on the upside. In the euro area, the expected recovery has not yet materialised. The recovery may gain momentum in the remainder of 2003, backed by policy stimulus, notably in the United States. The pattern of recovery seems likely to continue unevenly among the major OECD regions,

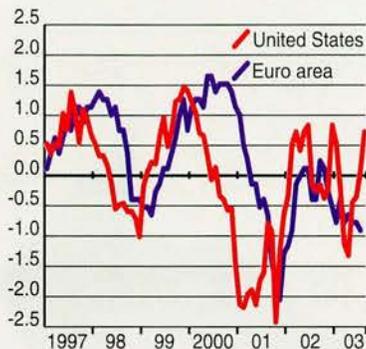
however, with the euro area being the weak spot. Despite the projected pick-up in output, it will be some time before unemployment falls and output reaches its potential. Downward pressure on inflation should therefore continue for a while, but, further ahead, the risk of deflation now appears very remote.

Assuming that oil prices do not increase and that exchange rates remain broadly

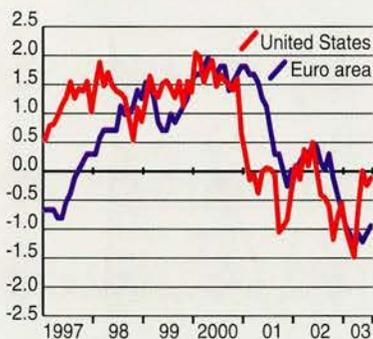
unchanged, it is clear that the global recovery will continue to be largely driven by the United States, where large injections of monetary and fiscal stimulus are coming through. But Japan has also been supporting, rather than dragging down, global activity. Performance in the euro area has been disappointing so far in 2003.

According to the OECD's forecasting models, this pattern of growth is likely to

Business expectations¹



Consumer sentiment¹



1. For comparability, the data have been normalised to take account of national bias and are presented in units of standard deviation.
Source: OECD

continue in the second half of 2003. This outlook is foreshadowed by recent business confidence indicators and purchasing manager surveys, and by high-frequency data on production, sales and housing.

In the United States, most of these indicators are pointing up and surveys suggest buoyancy in both manufacturing and services. With consumer confidence improving since the Iraqi war, retail sales and durables orders indicate a strengthening of final demand. Furthermore, inventory rebuilding is likely, following a recent rundown in stocks.

In Japan, for which we have not yet developed an indicator model, there has been some recent improvement in business confidence, helped by a rebound in corporate profits, progress in corporate restructuring, better US and Asian growth prospects and reduced global uncertainty, while household confidence is also higher.

By contrast, in the euro area, only the first signs of a bottoming out can be detected. Improvements in business confidence, if any, largely concern firms' expectations of their own future production, while their assessment of the current business

Near-term **inflation prospects** also diverge across the OECD area. In the United States, core inflation (which excludes food and energy) will continue to drift down, since even with growth picking up rapidly, it will take some time to eliminate the existing slack in the economy. Given the momentum of the recovery, it appears nonetheless that the risk of deflation has now become very remote.

In Japan, core inflation has been negative for half a decade, but we project it to gradually move towards zero, helped by strengthening activity and more active monetary policy.

With a widening output gap and rising unemployment, core inflation has now fallen significantly below 2%. But the process of disinflation may be slowing down. So far in 2003, headline inflation has continued to hover around the 2% European Central Bank threshold, reflecting in part the recent surge in energy and food prices.

The relaxed **monetary policy** should be maintained across the OECD area until the recovery is firmly established. In the United States, with core inflation still falling, the current expansionary stance of monetary policy can be maintained. Also, in Japan, unconventional monetary policy is starting to work and should be pursued vigorously until deflation is eliminated. But in the euro area, further monetary relaxation would be needed if clear signs of recovery failed to materialise in the near future.

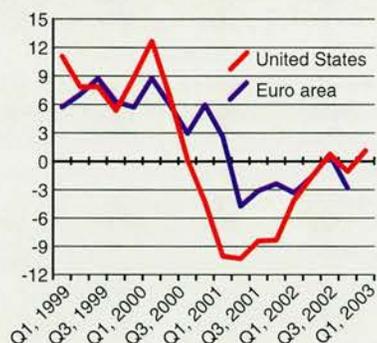
Meanwhile, a determined effort should be made to stem the current slide in **public finances**. Many large OECD economies now suffer from large and deteriorating public deficits in a context where medium-term strategies are either absent or under pressure. This worrying trend calls for vigorous corrective action as soon as the recovery achieves some momentum. ■

* This update is based on a press briefing delivered by OECD chief economist Jean-Philippe Côtis on 3 September 2003 in Paris and is subject to revision since that date. The next edition of the *OECD Economic Outlook*, No. 74, will be issued in December, with a preliminary online edition in late November (see Calendar, page 39). For the previous *Economic Outlook*, No. 73, see www.oecd.org/eo or read "Unspectacular recovery" at www.oecdobserver.org, search word Côtis.

The global recovery is continuing to be largely driven by the United States, where large injections of monetary and fiscal stimulus are coming through.

Cautious investment

Private non-residential fixed investment, % change over previous two quarters, annualised



Source: OECD, Eurostat

environment remains downbeat against the backdrop of shrinking order books and inventories judged to be too heavy.

The economics department at the OECD has not been through a complete new forecasting round. However, putting the data for growth in the first half of 2003 together with our estimates of what third and fourth quarter GDP growth is likely to be, it would seem that US real GDP growth may approach 2.5% in 2003 as a whole. In contrast, figures imply annual euro area growth of only around 0.5%. For Japan, if growth in the second half of 2003 were to match that of the first, full-year growth would exceed 2%.

Solving the e-commerce tax riddle

David Holmes, OECD Centre for Tax Policy and Administration

Retailers should be freed from the burden of collecting tax on web sales.

Burst bubble or not, the digital economy continues to grow, as mainstream businesses move transactions online and e-commerce specialists such as Apple's Music Store, e-Bay and Amazon thrive. That makes governments keen to collect taxes on online sales. In particular, they are eyeing major growth in the market for downloaded products, now that broadband is being rolled out. With some companies in the segment reporting a trebling of sales in the last 12 months, governments want to head off the development of a tax-free zone for online sales.

Collecting tax for online sales is a hard nut to crack, especially when it comes to products such as software and music that can be pulled off the web from anywhere in the world. In 2001, OECD countries agreed that consumption taxes for purchases made online should be paid in the customer's country of residence, no matter where the retailer is based. If, for instance, a teenager in Hamburg downloads a song from Music City's server in the US for 99 cents, the company should collect Germany's 16% VAT and send it to the German tax authorities. But businesses in the US, or anywhere else

The current volume of global retail trade in digitised products probably does not warrant the investment needed to build and operate sophisticated new tax collection systems. But the pressure for change is growing quickly.

Indeed, the European Union's new rules on value added tax (VAT) for e-commerce came into force on 1 July 2003. The EU created an online system for businesses based outside the Union to pay taxes on web sales to EU citizens. A host of other countries are likely to follow suit with their own rules.

If they do, businesses will suddenly face a hodgepodge of government tax collection mechanisms. The resulting complexity could overburden firms – especially small and medium-sized ones with limited resources – and stifle the development of cross-border e-commerce.

for that matter, are likely to bridle at the prospect of collecting tax for dozens of countries half a world away.

Is there an easier way? Only if countries break out of their traditional practice, which places the burden of collecting taxes on the retailer, rather than the buyer. To move forward, governments and businesses must collaborate to create a new approach that is simple and cost-effective. Governments must commit to reducing the administrative burden on companies, while the business community should explore innovative, technology-based alternatives to the current system.

One alternative, for instance, might be for traditional payment services with well-established global reach, such as credit card companies, to expand into the new business of collecting and distributing VAT receipts. Another might be for the newer online payment specialists such as e-Bay's PayPal, which handles online auctions, to step in. Of course, privacy and security issues would need to be addressed so as to protect both consumers' rights and those of tax administrations.

Such big shifts will not happen overnight. At present the volume of global retail trade in digitised products probably does not warrant the sort of investment that would be required to design, build and operate sophisticated new tax collection systems. But the pressure for change is likely to grow quickly as the economic recovery gains momentum and the market for downloaded products accelerates.

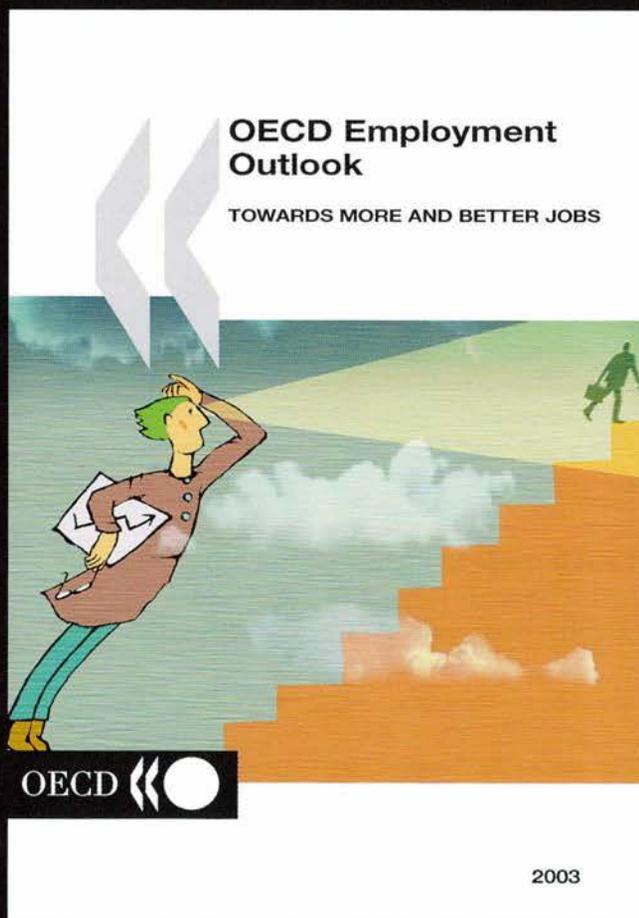
A new system might be adapted for other uses, such as collecting customs duties on the millions of dollars in goods shipped internationally. Rather than the customer getting a nasty shock when the postman turns up with a package and demands US\$20 for customs duty (plus a US\$5 administration fee for the pleasure of paying), payment would be collected when the order is made. That approach already works successfully for retail trade between Canada and the US.

No matter what the final solution, it is high time for some radical thinking on how governments and business can ensure compliance with tax rules, while at the same time making it easier for retailers to reach across borders. The OECD will be working with business people as well as governments over the coming months to kick-start this brainstorming. Finding solutions will help spur the development of new distribution channels for everything from software to videos, which would be music to most people's ears – including our teenager in Hamburg. ■

References

- Holmes, D., "E-commerce tax: A sober view of cyberspace", in the *OECD Observer* No. 230, January 2002.
- Visit www.oecd.org/taxation

Job prospects for policymakers



ISBN 926410061-X

To purchase OECD publications,
please visit www.oecd.org/bookshop

To be the first to know about new titles, sign up for OECDdirect, our
free e-mailing service, tailored to your needs. Visit www.oecd.org/OECDdirect

Contact: sales@oecd.org

Spotlight • Employment • Spotlight

Ministers' roundtable	15
Population ageing	19
Employing the non-employed	21
Making benefits work	23
Training time, training gap	25
More jobs and better pay	26
More jobs, greater choice	29
Reassessing the Jobs Strategy	30

No single road to high employment

Raymond Torres, OECD Employment, Labour and Social Affairs Directorate

The employment record of the OECD area over the last 10 years paints a mixed picture. On the positive side, employment has grown, by about 1% per year in 1991-2001. Governments appear to have responded to the chronically high unemployment of earlier years by introducing a range of structural reforms. But have they gone far enough?

Probably not. For a start, the encouraging rise in employment of the past decade has come to a halt. True, in some countries jobs have been more resilient in the present downturn compared with earlier recessions. But the fact is that unemployment is on the rise again.

What is more, pockets of labour market inactivity had remained stubbornly high during the high-growth period, and these may be actually aggravating with the economic slowdown. Several groups, in particular, women, older workers, and the disabled, remain sorely under-represented in the labour force. Worse, the employment rate of low-skilled people declined in the 1990s.

It is time to mobilise these under-represented groups. This would help provide valuable resources to the economy, while also strengthening social cohesion. One lesson learnt from the past 30 years is that policies that discourage labour force participation, like early retirement or disability schemes that make little effort to support reintegration into work, appear to be unsustainable in their current form. Some policies may end up promoting, rather than alleviating, social exclusion. Population ageing provides another justification for urgent reform of such practices.

As this *Observer* spotlight argues, labour markets need to be dynamic and open if they are to perform well in the context of rapid demographic and technical changes, and intense international competition. But at the same time they need to be inclusive, enabling a wide

Just as rigid labour markets need more liberalisation, open markets may need more strengthening from social benefits. The exact balance will be different for each country.

cross-section of the community, and not just those who are the most able-bodied or best educated, to participate in the world of work.

This is not an altruistic goal, but rather, it is about effective management of human capital and resources. In other words, the aim has to be to build properly functioning labour markets backed up with effective labour and social policies that improve employability and stimulate economic growth.

The current challenges we face in labour markets present governments with an opportunity to reform the mistaken policies of the past that sought unsuccessfully to cut unemployment by taking workers out of the labour force.

Nearly a decade has passed since the OECD proposed its blueprint for labour market reform in the Jobs Strategy. Progress in implementing it has been uneven. At the same time, we have learned quite a lot about what can help employment to increase.

One such lesson is the need to avoid simplistic remedies. It has long been argued that, to ensure that economies create more jobs, countries must accept ever-lower social benefits and, for certain occupations (notably the low-skilled), lower wages. This view is based on the assumption that work has to be sufficiently rewarding compared with receiving benefits. And it assumes that the best way to entice people to work would be to restrict access to benefits and reduce benefit levels. Lower wages, on the other hand, would support labour demand on the part of employers.

Experience of employment reforms over the past decade or so show that things are not so simple in reality. For instance, certain countries such as Denmark and Canada have managed to maintain relatively generous unemployment benefits, while at the same time achieving high employment rates. In 2002, the proportion of the population of working age who had a job in Canada and Denmark was, respectively, 72% and 77%. These figures are higher than those in the UK and the US, which can be regarded as good performers.

Admittedly, Danish and Canadian workers are relatively well qualified – which could contribute to explaining the good overall employment performance. However, it is interesting to note that the employment rate among unskilled workers in Canada and Denmark, at practically 55% and 63% respectively, is also relatively high.

How have these countries achieved these impressive employment levels? One reason is activation strategies. These have made benefit receipt consistent with the obligation on recipients to actively look for work – demonstrating too that recipients of social assistance or other benefits who can work should look for a job.

The most effective way appears to be a mutual obligations approach, whereby employment authorities provide support services, like counselling and training, for job seekers, who in turn commit themselves to search for work. Penalties for inappropriate behaviour can be used as a further incentive of last resort.

Experience also shows that financial incentives are not enough. There are cases where people looking for a job need mobility support (e.g. people living in remote areas) or childcare facilities in the case of young mothers. These services can help people hovering on the margins of the labour market to take a job.

Consideration must also be given to career development issues, like special training services for unemployed workers to help them stay in a new job. All of this makes good sense, so much so in fact, that the US is now considering introducing “customised employment services” for the unemployed, which will include a mobility grant and job-search support.

None of this adds up to a new labour model, but rather, it is a system that has been tried and tested with varying degrees of success in other countries too, like Sweden and Ireland. One upshot is that while the “model” has a cost that may have to be borne by higher taxation, it generates returns in the form of higher employment and better productivity.

Policymakers can ensure consistency between employment goals and the fight against poverty. But the key point is that just as rigid labour markets need more liberalisation, open markets may need more strengthening from social benefits. The exact balance will be different for each country, since in practice, some countries will use a mixture of labour market flexibility policies to dissuade people from depending on benefits and getting a job, and other policies to make work pay. There is no single road to a high employment economy. ■

References

- OECD (2003), *OECD Employment Outlook*, Paris.

What OECD ministers are doing

Jobs are a primary concern for citizens in all OECD countries. And it is not just a question of having work and being paid enough. The quality of the job, whether it is stable and secure, or satisfying – these are questions for us all in our working lives. But they are of acute importance to groups that are under-represented in the workforce, such as women, older people, the unskilled and the disabled. Yet boosting their participation in the labour force can go a long way to helping governments face the challenge and rising costs of an ageing population.

In this roundtable on employment, we have invited employment and labour ministers from a cross-section of OECD countries to answer a straightforward question:

“What measures are you taking in your country to raise the level of employment and how do you propose to create opportunities for better jobs?”

This will be a key question on the agenda when employment and labour ministers from OECD countries meet in Paris on 29-30 September. The conference, chaired by French minister for social affairs, employment and solidarity, François Fillon, is on the theme “Towards More and Better Jobs”.

Mr Fillon as chair leads the replies in this *Observer*. He is followed by Canada's minister of human resources development, Jane Stewart; Finland's labour minister, Tarja Filatov; Japan's health, labour and welfare minister, Chikara Sakaguchi; Mexico's secretary of labour and social welfare, Carlos Abascal-Carranza; New Zealand's minister for social development and employment, Steve Maharey; and the UK's minister of state for work, Des Browne.

France Promoting employment and lifelong learning



© French government

François Fillon, Minister for Social Affairs, Employment and Solidarity, and Chair of the 2003 OECD Meeting of

Employment and Labour Ministers

The worldwide cyclical downturn that France has faced for the past two years has underlined the need for a comprehensive range of policies to promote employment. Our difficulties are not the result of the current situation alone. It is obvious that we suffer from an excessively high structural unemployment rate, coupled with under-utilisation of the labour force, particularly of young people and older workers. Refusing to take a Malthusian, administered approach to the labour market, our government has launched a series of structural reforms aimed at raising our growth potential, which alone can provide lasting and high-quality jobs. Our strategy is based on four pillars: to reaffirm the value of work; to lower employers' social contributions; to make it easier for those in greatest need to find jobs; and to raise skill levels, while tapping into the experience of older workers.

Work is a fundamental value of our society to which the French are deeply attached. Raising the minimum wage, extending the employment bonus for low-paid workers and introducing the minimum employment income (RMA) will ensure that effort and work are more fairly rewarded than in the past. Greater freedom to work overtime, lower taxes and measures to make it easier to start a business will encourage effort and

initiative over the long term. Reducing the social contributions paid by employers on low salaries is no doubt the most effective tool for promoting the employment of low-skilled workers. We are going to lower these costs by some €7 million annually between now and 2005.

Through specific programmes that are better targeted and better adapted to needs, the government intends to make it easier for persons in difficulty or at risk of exclusion to return to work. Through one programme for businesses, some 90,000 young people with low skill levels have already been hired on permanent contracts. Through the RMA, spending that now goes to a welfare programme will be used to put the unemployed back to work. Modernisation of the public employment service will ensure a more fluid labour market and more effective job placement. Vocational training is key for the competitiveness of our businesses and making individual careers more secure. It is a field in which business and labour organisations hold considerable responsibilities. Negotiations under way should lead to the creation of an “employment insurance” programme that will enable every individual to upgrade and renew their skills on a lifelong basis.

Finally, it is vital for people to extend their working lives. In conjunction with a more favourable regulatory framework providing stronger incentives to work longer, the government intends to organise a nationwide campaign to promote employment and access to training for people over the age of 50.

These are the challenges we face. And we fully intend to rise to them, as employment is our priority. ■

Canada

Innovation culture



©Canadian Government

Jane Stewart
Minister of Human
Resources Development

The quality of life Canadians have earned and enjoy is rightly recognised as among the highest in the world. At the same time, the government must help develop people's talent and provide the opportunity for all to contribute to and benefit from the rapidly evolving, knowledge-based economy.

As part of its Innovation Strategy, launched in February 2002, the government of Canada committed to helping build a culture of lifelong learning. While helping Canadians enhance their skills capabilities and participate in learning opportunities is admittedly a long-term partnership among governments, business, labour, the voluntary sector and individual Canadians, progress has been made.

For example, we have strengthened funding for student loans to ensure more Canadians have access to post-secondary education. We have

extended assistance for people with disabilities to enhance their participation and retention in the labour market. We are helping immigrants to fully participate in the workforce. We have taken steps and introduced programmes to better equip aboriginal people with the skills they need to take full advantage of employment opportunities.

Starting in 2004, Canadians will help in making decisions about acquiring the skills and learning they need through the newly created Canadian Learning Institute.

No doubt there will be many more challenges ahead as we continue to deal with the issues of shifting demographics, a shortage of skilled workers in some key areas and an ever-increasing demand for a well-educated and adaptable workforce. The government of Canada believes those challenges can be met by making strategic investments in our people. ■

Finland

Tackling unemployment



©LEHTIKUVA/MAATTI BJORCKMAN

Tarja Filatov
Minister of Labour

The main goal of the Finnish government is to increase employment. We have set ourselves a target of creating 100,000 new jobs over the next four years. Finland's particular problem is structural

unemployment, and special measures are needed to deal with it. Another distinct problem is Finland's rapidly ageing population.

We have set up a Special Employment Programme that involves various ministries and many other players, as well as a programme for supporting entrepreneurship. One important task of the programme is to change regional service structures, through co-operation and collaboration between the different authorities, to achieve more effectiveness. The aim is to provide each unemployed person

Japan

One-stop centres



©REUTERS/Hanyoshi Yamaguchi

Chikara Sakaguchi
Minister of Health,
Labour and Welfare

The 2003 meeting of OECD Employment and Labour Ministers is timely, as it will look at the acute problem

posed by ageing societies, as well as discussing comprehensive policy changes to promote the employment of under-represented groups. To secure and stabilise employment in today's world, where ageing is a growing feature and economic and industrial structures are changing, it is essential that real job opportunities be provided to those who wish to work, including people with caring responsibilities and older people, and that labour productivity be improved. We must solve various labour issues

with suitable individualised employment, rehabilitation, training and other similar measures. The Special Employment Programme also tackles the unemployment funding systems to ensure that the respective fund administrators will be encouraged to look for employment-promoting solutions, while the unemployment benefit system needs to support employment-promoting and active participation measures too.

Another problem we are addressing is that of short career lengths. In Finland, the average retirement age is 59 and young people enter the labour market relatively late. The average retirement age has to be increased, while studies and the transition to the labour market have to be accelerated.

To retain ageing employees in work, it is essential to enhance the quality of working life as well as the upkeep of skills, while removing obstacles to the employability of older workers. Many companies have applauded the National Workplace Development Programme, the programme on Well-Being at Work and the Productivity Programme which are already well under way.

As far as the young are concerned, educational guidance needs to be improved and student financial assistance schemes reviewed to encourage more focused and goal-oriented studying. The Finnish Government Programme includes the provision of training and work placements for the young after a maximum period of three months unemployed. ■

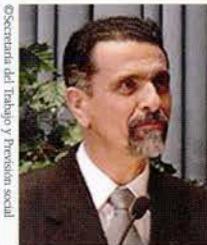
if we are to create a society where people can work hard and, concurrently, enjoy sufficient free time.

Japan's labour situation is severe, with the unemployment rate still high, and we are taking every possible step to dispel concerns about unemployment by, for example, promoting early re-employment, particularly of middle-aged workers that are displaced by restructuring or downsizing.

Frankly, too many younger people are without jobs. If they stay unemployed for too long, they will not be able to enhance their employability or develop their careers. We are concerned that this may lead to serious social problems, such as a rise in precarious employment and

expanding income disparities, not to mention the collapse of the economic infrastructure resulting from declining socio-economic competitiveness and productivity in the long run. To tackle these problems, we are currently considering establishing one-stop centres that will support youth employment and business start-ups through local initiatives, and introducing a system to train them as professionals by combining practical experience in companies and educational/vocational training. The one-stop centres would be designed to provide information, consulting and employment services. We are determined to take these measures to solve the employment problems facing the younger generation. ■

Mexico Human capital



©Secretaría del Trabajo y Previsión social

Carlos Abascal-Carranza
Secretary of Labour and Social Welfare

In Mexico, we are fostering a new labour culture that recognises the person as source, centre and driving force of economic activity. We consider work to be a tool to achieve personal fulfilment and development, and a means to create wealth. We endeavour to find fair and intelligent formulas of co-operation, dialogue and consensus, placing human beings and human dignity at the centre of our activities.

We believe that workers, employers and governments should work together towards ensuring competitiveness, legal certainty, lifelong learning, quality jobs, and a higher standard of living for all workers. Systematic co-operation and communication among social partners is the best antidote against parochial interests, exclusion, exploitation and the erosion of fundamental values. Mexico's Consejo para el Diálogo con los Sectores Productivos, which is modelled on the economic and social councils found in Europe, has served since 2001 as a

permanent advisory body and discussion forum to this end.

Our challenge lies in creating conditions to generate all the high-quality jobs that Mexico demands, and the government has launched several new programmes to this end. The federal Training System for Work (SICAT) provides training scholarships for the unemployed. Our Training Support Programme (PAC) is aimed at increasing productivity and firm competitiveness in small and medium-sized enterprises. Such policies are designed to improve employability and entrepreneurial skills, thus reducing poverty and improving everyone's standard of living.

We work actively with our partners to improve access to the job market for target groups, such as women and older adults. For example, the Abriendo Espacios programme is a job-matching and training system that seeks to promote employment of ageing adults and disabled persons. We are convinced that better job opportunities require lifelong learning and training, not only to improve employability, but to foster higher productivity and competitiveness. Workers and entrepreneurs must renew constantly their ability to grasp new technologies and develop new skills, for their own personal fulfilment as well as to meet the needs of firms that operate in a competitive and globalised environment. ■

New Zealand

Building capability



©MARK MITCHELL/PHOTOPRESS
NZ HERALD

Steve Maharey
Minister for Social
Development and
Employment

The efforts New Zealand is making to reduce unemployment are paying off. Unemployment has fallen from

6.3% in December 1999 to a 16-year low of 4.7% in August 2003. Strong job growth has accompanied this drop, with 148,000 more New Zealanders in jobs than in March 2000.

New Zealand has an active programme to ensure that job growth benefits all job seekers. We have focused on: enhancing the capability of New Zealanders; maximising the opportunities available for people to use their skills; and ensuring that capacities and opportunities are well matched.

This "human capability framework" has influenced our

thinking about employment, training and skills policy, and it has reinforced the point that government activities need to be well co-ordinated to achieve employment and social development objectives.

Young people are our future and New Zealand is working to ensure successful transitions from school to further education and training or employment. We need young people to make well-informed choices about the skills they need. If a young person is at risk of falling out of the system or into long-term unemployment, we have to help as early as possible.

To focus our efforts, the government and most of the country's local authorities have set a goal that "by 2007, all 15 to 19-year-olds will be engaged in

appropriate education, training, work or other options which will lead to long-term economic independence and well-being".

We have invested significantly in initiatives that help young people make the transition by both building the capabilities of young people and helping them access the opportunities available. Our Modern Apprenticeship programme and Gateway programme (which enables senior secondary school to participate in structured learning in the workplace) are particular examples that are making a positive impact.

We are now turning our attention to improving careers information, advice and guidance, improving post-school support for those at risk, and to expanding vocational education and training pathways. ■

United Kingdom

Age-positive campaign



©DPA/UK

Des Browne
Minister of State for Work

On the whole, the outlook of employment and job opportunities in the UK is positive. The OECD Jobs Study identified the UK as one of four

countries where structural reform had led to sustained improvement in employment opportunities as well as to a reduction in structural unemployment.

The UK has coped as well as anyone during the recent global economic downturn. We now have one of the highest employment rates in the world, as well as the lowest unemployment rate of all the major industrialised countries.

However, the OECD also identified long-term

unemployment and weaknesses in basic education as areas where more needed to be done. There has been improvement in these areas.

Macroeconomic stability is necessary to provide employment opportunities for all, but it is not sufficient. Reforms to the education system have drastically reduced the number of people without qualifications.

One of our schemes has been the introduction of the New Deal, which now provides universal support for long-term unemployed benefit recipients. It has contributed to the virtual eradication of long-term unemployment for the young and a reduction for adults of three-quarters since 1997.

The public employment service, Jobcentre Plus, is being transformed to combine benefit payment and labour market help for all, while extra help is also available for people on lone parent, sickness and disability benefits to increase job opportunities.

Another way to raise the level of employment is to make sure there is a diverse workforce – which is why we are taking action against ageism with the Age Positive campaign to let more people work.

So we have done a good deal, but there is more to do. Success will benefit the economy, individuals, families and society and will allow the UK to continue to enjoy a positive employment situation. ■

Population ageing

Facing the challenge

Jean-Philippe Cotis, OECD Chief Economist

Ageing will make it hard for governments to deal with mounting financial pressures. It may be time to rethink our policies towards work.

Population ageing is set to affect all OECD countries over coming decades. Demographic projections are uncertain, but on middle-of-the-road assumptions, the ratio of people over 65 to those between 20 and 64 could double between now and the middle of the century. And in some countries, such as Japan, Italy and Spain, this ageing will be much stronger.

These developments will be challenging for public budgets and pension systems. Indeed, the falling share of the population at traditionally productive ages means relatively fewer people will pay taxes and social contributions at a time when the rising share of older persons implies that more people will receive pensions and costly health services, etc.

To cope with mounting financial pressures, governments have to make hard choices. In particular, to avoid increasing the tax burden or impoverishing pensioners, they are now looking at ways of inducing more people to enter or stay in work. As is often the case, these testing times may be a blessing in disguise because they provide OECD countries with a golden opportunity to break away from the mistaken policies of the past – policies that sought unsuccessfully to reduce unemployment by withdrawing workers from the labour force through a variety of misguided incentives and restrictions.

Across the OECD, the share of the population over the age of 15 that is active in the labour market varies tremendously – from around 50% in Italy to more than 70% in some Nordic countries in 2000 (see graph). There is also a strong presumption that those countries which achieved high labour force participation also had the best policy framework. The time has come for many OECD countries to implement a new set of policies conducive to stronger growth, higher employment and sounder pension systems.

These policies will have to be tailored to meet the specific needs of the various groups that make up the active population. One group in the labour market almost fully employed in all OECD countries is that of prime-age males (25-54), whose labour-force participation rate generally exceeds 90%. By contrast, there is wide variation in the extent to which women, as well as young and older persons, participate in the labour market. Those groups are most likely to be influenced by government policies, for better or worse.

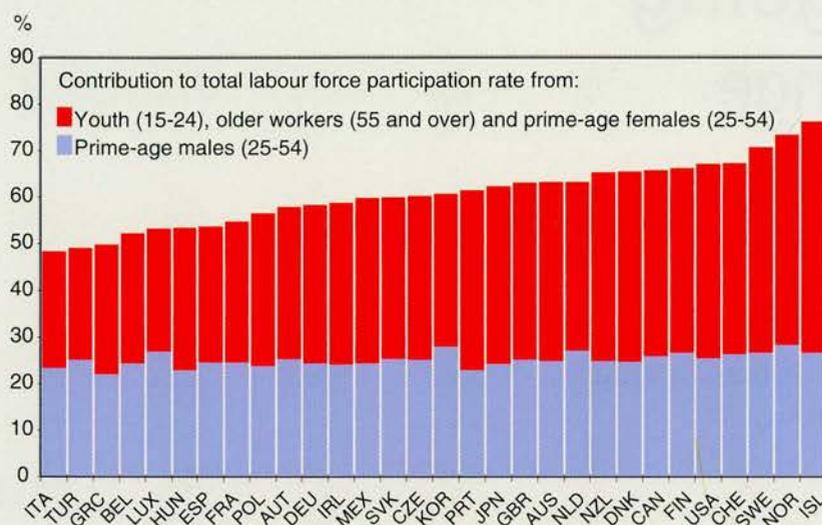
As for women, their participation has been rising in all countries for several decades. Each new generation of women has had a stronger attachment to the labour market than the previous one. There are probably important cultural reasons for this, but the increase has also been enabled by technical progress, allowing housework to be done

more easily, while higher educational attainment has also played a role in luring women into the job market.

Policies have also affected this trend and appear to play an important role in explaining cross-country differences in female participation. Taxation is one such policy. Married women are widely considered as the second earner in a couple and when their income is taxed jointly with that of their husband, the marginal tax rate can be very high. This is unfortunate since women's participation reacts more to tax changes than that of men. Most countries have moved towards taxing each earner in the couple separately, but joint taxation still exists in a number of countries, including France and Germany.

Better participation can also be achieved by subsidising childcare, either directly or through the tax system. Most Nordic countries have gone pretty far in this respect and also have high female labour force participation. Childcare support may be seen more as a subsidy to female full-time work than to part-time work, and indeed, the share of part-time work in Nordic countries has declined. But the money to pay for childcare subsidies obviously has to come from taxes, and higher taxes in general reduce people's desire to work, so there are limits to how far this policy can go. Other countries, such as the United States, manage however to achieve high

Labour force participation in OECD countries¹



1. Measured as labour force (15 years and over) divided by population (15 years and over).
Source: OECD

female participation without large-scale subsidisation of childcare. In this case, because of a wide dispersion of wages, many households can afford to meet the costs of childcare by themselves.

In contrast to women, older men have reduced their labour force participation in all countries over the past three decades – in some cases sharply. It may seem ironic that effective retirement ages have fallen at

but most of these policies remain in place in many continental European countries, with detrimental consequences for employment.

Old-age pension schemes also stack the cards in favour of people retiring early. If people postpone their retirement by a year, this is rarely reflected in correspondingly higher pensions later on, despite their extra contributions. This is already problematic at ages between 60 and 65, but after 65 the

OECD countries have a golden opportunity to break away from the mistaken policies of the past that sought unsuccessfully to reduce unemployment by withdrawing workers from the labour force.

the same time as people are living longer and healthier lives. This fall may reflect a stronger appetite for leisure as real incomes have gone up. But it also owes a lot to policies.

Early retirement, invalidity and unemployment benefit schemes in many countries provide people in their 50s with strong incentives to retire. These often misguided policies led to a sharp drop in participation in the 1970s and 1980s. There has been some moderate roll-back since then,

disincentives to work become almost prohibitive in some countries. In our society where people are fitter for a lot longer, we should be free to engage in “active ageing”.

Could policy reforms in some of these areas help to alleviate the problems brought about by population ageing? Probably yes, but by how much remains to be seen. Recent OECD research may provide us with some of the answers. A first step may be to consider how much policy reforms could affect participation.

Without them, the share of the population over 15 years old that would be active in the labour market could decline by perhaps some 4-5 percentage points in the OECD on average by 2025 – even taking into account that recent cohorts of women will maintain a stronger attachment to the job market than their predecessors. According to OECD estimates, radical reform in the above areas could arrest the decline, and may even produce a moderate rise in participation.

A policy package that could work would include the following steps: eliminate early retirement schemes; make old-age pension schemes actuarially neutral so that pensions fully reflect time spent at work; raise standard retirement ages; increase childcare subsidies; eliminate tax discrimination against female participation; and enhance the role of part-time work. All of this would be strengthened by measures to make the school-to-work transition more effective.

This is obviously a radical policy package, but it sends an important message: in a context of rapid population ageing, it will take very strong policy action to stabilise the share of the working age population and start reversing the trend.

These strong recommendations come, however, with a note of caution. It is obviously not enough for policy reforms to bring people out onto the labour market. Looking for a job is an important prerequisite but finding one is what ultimately matters.

Measures could well be needed to ensure the full employment of more people coming onto the job market. Indeed, many of these measures have been dealt with extensively in the OECD Jobs Strategy. But while they demand our attention, it is reassuring to note that those countries which have promoted active labour force participation also benefit from high employment. Given time, it seems that employers have been able to create the jobs needed to match a more abundant supply of labour. ■

References

- OECD (1994), *OECD Jobs Study*, Paris.

Employing the non-employed

Glenda Quintini and Paul Swaim, OECD Directorate for Employment, Labour and Social Affairs

Women, the unskilled, older and disabled workers: these are all under-represented in the labour force. But can their activity be raised and if so, for how long? A daunting task, though it can be done.

OECD governments face a tough employment challenge. If employment patterns do not change, population ageing will imply a sharp deceleration of labour force growth during the next three decades – including absolute declines in nearly one-half of the OECD countries. This will threaten the solvency of important social programmes and create a drag on living standards.

But this scenario is not a fatality, provided that policies can be found to encourage a greater share of working-age persons to enter the labour market and ensure that they find good opportunities for employment and career advancement.

Policies to raise employment would be of interest even if OECD societies were not growing older. Public services are expensive to fund, as are some benefits. So, the idea goes, let's get as many people as possible off benefits and into work and everyone will win (see article by David Grubb). Not only would this relieve the burden on public finances, but it would also help productivity and general wealth. Social objectives could also be furthered, such as reducing poverty and social isolation. With higher employment, several problems would be solved at a stroke.

How might this be done? Lowering unemployment is an essential start, but this must be complemented by strategies for attracting more non-employed people into the world of work. In fact, rising labour market participation (and not lower unemployment) is the main factor behind employment gains and this will be even truer in the future.

The employment-to-population ratio rose during 1991-2001 in two-thirds of all OECD countries and this reflected the combined impact of reductions in both unemployment and inactivity rates. The relative contributions varied, but rising participation was more often the larger factor. For example, in the European Union, the fall in inactivity contributed three times as much as the fall in the unemployment rate to the 2.4 percentage point increase in employment.

Policymakers have lengthy experience with tackling unemployment, but are much less certain about how to encourage higher participation in the labour market. A good place to begin is to focus attention on groups that are clearly under-represented in the workforce, such as women, persons with limited skills and older workers nearing the legal retirement age. All of these groups have much lower employment rates than, say, prime-age men (25 to 54-year-olds), who are near-fully employed and generally not in need of particular attention.

A comparison of employment patterns in different countries helps to clarify the potential for increasing employment. Aggregate employment rates for OECD countries differ by up to 40 percentage points – ranging from 45% to 85% of the working-age population. Most of this variation reflects differences in employment rates for people on the margins of the labour market, including women, older workers and persons with low educational attainment or partial disabilities. But while their employment rates are lower than for prime-age men in most countries, it is nonetheless high in some countries, like the US and especially the Nordic countries. Such examples can provide useful guidance for how other countries might improve their employment performance.

A complex web of factors influences whether people choose to look for work. Take women, for instance. Their employment position improved in the 1990s, but much of this was in part-time and temporary work, including in Britain and the US. There is no doubt that determined measures to activate more under-represented females would pay off. Many say that they would like to work and probably would do so if they had better, more affordable, childcare or child-oriented working conditions, for instance. Female employment remains about 20 percentage points behind men and women account for two-thirds of all working age non-employment.

The pool of older people also offers great potential, in particular among those from 55-64 years old. Their non-employment rate was around 50% in 2001, double that of prime-age individuals. And they account for a third of total non-employment. Some are "retired", but quite a few more cite illness or disability for their inactivity. (Sometimes disability and other social benefits are themselves a route to early retirement.) Another sizeable group of older people are inactive because they are caring for an elderly spouse or other relative. Some might not want to work, even part-time or from home, but many might be brought back into the workforce (or encouraged to delay or phase in their retirement), given the right financial, legal and workplace incentives.

As for the unskilled, their employment rate was about 50% in 2001, compared with 80% for workers holding a tertiary degree. And fully 45% of working-age persons in the low-education group were neither working nor looking for a job in 2001, compared with between 24%

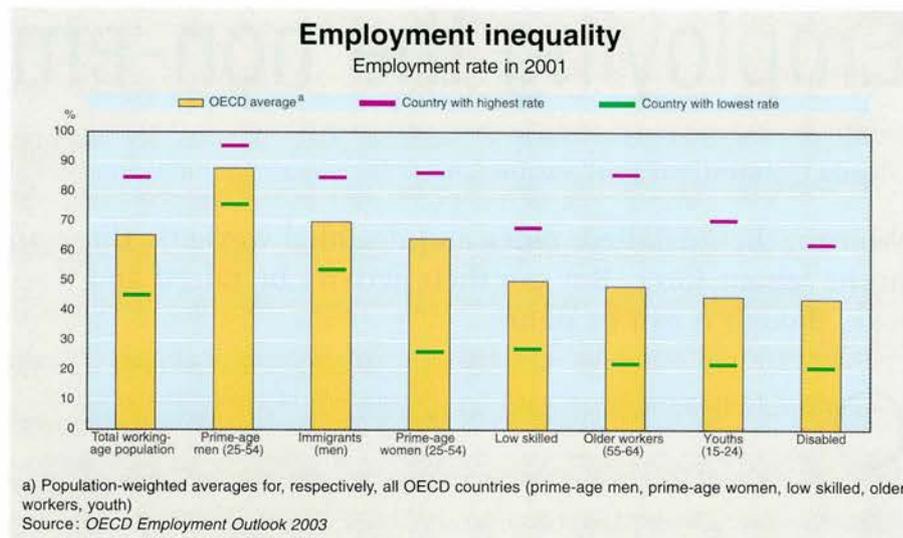
and 15% for more highly-educated individuals. Clearly, a lack of education discourages these groups from joining the workforce. More should be done to correct this.

Disability accounts for a fifth of working age non-employment. Many disabled people are able to work, given the proper support. Employment rates for the disabled are in the 40-50% range in most OECD countries, though below 25% in Spain and Poland, and over 60% in Norway and Switzerland. The very wide variation between countries suggests room for improvement in some cases.

If policies succeed in encouraging more people to participate in the labour market, can they be enticed to stay there and not drop out? An indication can be provided by examining the employment prospects of working-age people who were not working in a recent year: persons who were not employed in the mid-1990s spent an average of three to four of the next five years outside employment in Europe and the US. Even if many of these people had occasional forays into the job market, attaching them permanently to the workforce is not easy and they might be considered as being in a non-employment trap. People in such traps may see little incentive to persevere in the hunt and probably require special assistance in the labour market.

Apart from non-employment traps, many workers are ensnared in so-called "low-pay traps" too. These are problematic because they act as a disincentive for people to persevere in the workforce, as well as being responsible for wasting human resources, productivity and value. Of course, upward mobility into higher pay is the rule for most people, and over a quarter of low-paid workers in 1994 (40% for men) earned at least 80% of the median wage four years later. But the prospects for women, the least educated workers and older workers were less good.

Curious as it may seem, too much mobility between jobs is not necessarily a good thing for these people. Mobility may help the careers of the better paid, but for people moving between low-paid jobs and non-employment it simply leads to greater instability, with little opportunity for career development. In both Europe and the United States, persons on low pay in



an initial year spent nearly four of the next five years in either low-paid employment or non-employment on average. This fraction is even higher for women, less educated workers (particularly in the US) and older workers (especially in Europe).

Clearly, governments should do all they can to mobilise these under-represented groups and improve their chances for moving up the job ladder. This would help resolve challenges posed by population ageing, but also poverty. Most often, those out of work or in low-paid employment can turn to other family earners or alternative income, but still, the risk of chronic poverty is substantially higher for those prone to joblessness or low-paid work. This is particularly true of the US: whereas fewer than 5% of working-age persons continuously employed during a five-year period are long-term poor in the US, the risk of long-term poverty rises to 32% for persons who are never employed; these risks are present in Europe too, but far less so, at 3% and 13%, respectively. And the risk of long-term poverty for people in continuously low-paid work over five years is 41% in the US, compared with 13% in Europe. This risk escalates for low-educated persons and immigrants.

Some, particularly in business, argue that while it may be possible to increase the labour force activity of under-represented groups, their low productivity makes them uncompetitive, say, compared to not hiring

them or paying someone else overtime. Part of this attitude reflects problems with activation programmes in their early stages. At least initially, some unskilled workers and mothers will be less productive. Adjustment takes time. But workplaces should also adapt and governments can help persuade them to do so, with incentives and pressure (see article by Anne St. Martin and Peter Whiteford).

Policies that encourage jobless individuals to find entry-level jobs quickly are an essential component of a strategy aimed at raising labour participation and employment. However, many of the individuals "activated" by such policies will have difficulty remaining in their jobs or moving up career ladders. How to tackle this is as yet unclear, but this is not a reason for holding back. In any case, activation itself may improve longer-term job prospects as workers gain confidence and learn by doing. Policy could then focus on those (one hopes) smaller groups that remain caught outside the labour force or in low-paid, unstable jobs.

One lesson learnt from the experience of the past 30 years is that while policies that discourage labour force participation – whether early retirement or disability schemes that make little effort to support reintegration into work – may have served a purpose in the past, they now appear to be unsustainable. They may end up promoting, rather than alleviating, social exclusion. This is something no one can afford. ■

Making benefits work

David Grubb, OECD Employment, Labour and Social Affairs Directorate



Attaching conditions to receiving benefits can prise people off dependency and attach them to the workforce. As many people on benefits can and should work, more should be done to encourage these “activation programmes” and help them perform better.

We are getting older, but are we also getting sicker or less employable? Usually not, though a look at the trends does give rise to just such a question. In many OECD countries, the share of the working-age population receiving income-replacement benefits continued to increase in the 1990s, particularly for old age, disability, lone-parent and social assistance benefits. In some countries, most of the working age people who are neither employed nor studying receive some kind of income-replacement benefit. There are some signs that the upward trend is levelling off. It has gone into reverse for unemployment benefits in some countries, such as

Denmark and the UK. And following the introduction of “welfare-to-work” policies in the US, the number of adult welfare recipients is now three times lower than a decade ago. Still, benefit receipt without conditions attached remains widespread.

There are eight main categories of social protection benefits: old age; survivors (widows and orphans) – this is the only type of benefit to have declined in recipiency across the OECD since 1980; sickness; disability; maternity and home parenting; care benefit and other leave (e.g., sabbaticals); unemployment; and social assistance (including lone-parent benefits).

Overall benefit dependency varies from 11% of the working age population (15-64) in Japan and Spain – Spain however has one of the highest rates of people with no benefit but also no work – to 24% in France and 38% in the Slovak Republic – which has one of the lowest no-work/no-benefit rates. The largest overall benefit category in 1999 was disability (4.6%) followed by unemployment (4.1%). Parental/maternity (0.8%) and sabbatical-type leave (0.2%) were the smallest. Old age benefits (below 65) range from below 1% to over 7%, depending on the country. These benefits are a vital pillar of social welfare protection in all countries. But while not all people on benefits can work, many of them can and should. If benefits keep

people out of work, that means a drain of resources away from other needs, with fewer people at work funding more people on support. What can be done?

Cutting benefit levels is one way, but this can cause people simply either to transfer to other available benefits or quit the labour force altogether and become even poorer. That is why policies based on "activation" programmes that get employable people off dependency and into work have become more popular.

There are many examples to follow. Much-praised egalitarian countries, like Sweden, are noted for the strictness of their criteria for receiving unemployment benefits. "The duty to work" has always been a core principle in Swedish policy, and unemployed people there are seldom inactive for long before they are assigned to a training or job creation programme. The

Benefits are a vital pillar of social welfare protection, but if they keep people out of work, that means a drain of resources away from other needs, with fewer people at work funding more people on support.

system has recently been undermined by a "carousel" effect where people move between benefit and other public programmes without taking a regular job. Action is now being taken to limit this problem.

Even in the less-egalitarian US, when many lone parents were dissuaded from claiming benefits as welfare-to-work reforms were implemented, few of them found really good jobs. Nevertheless, outcomes were better than pessimists had feared. In fact, some two thirds of those that lost benefits are now in work, and average child poverty rates have fallen.

It is clear that for activation programmes to work, benefit eligibility criteria are important. Yet many types of benefits, like those for early retirement, as well as some disability and lone-parent benefits, do not require able people to be ready to work. Where possible, this should be changed.

One attraction of activation measures is their value for money. Total spending on active labour market programmes ranges from 0.1% of GDP in Mexico and 0.2% in the US to some 1.7% of GDP in the Netherlands and 1.6% in Denmark. But this is only one measure. Of the 25 countries surveyed in the 2003 *OECD Employment Outlook* with above average spending in GDP terms, only Ireland, Norway and Sweden also spent sharply more than average on active unemployment schemes compared with inactive or passive (unemployment benefit) schemes. Denmark spent just 32% of its total unemployment outlay on active programmes in 2000, whereas Ireland and Sweden spent around 60% each. So while Denmark invests generously on active schemes, it pours more money into passive unemployment as well. Although this spending may be important, many activation measures available incur relatively little in extra budgetary costs.

Tightening benefit eligibility while applying activation principles can help reduce beneficiary numbers and raise employment. But simply exerting pressure on unemployed people to take jobs more quickly can edge people out of the workforce. Where no benefits are available, or if the conditions for claiming them become too strict, young people and married women in particular will just turn to other family income for support instead. These risks can be reduced by keeping the level of benefits high enough to discourage people from slipping out of the labour force.

Providing job seekers with latitude can also help. In the US state of Maryland, experimental groups that had to search for work were released from the routine requirement of reporting back every week. Their average duration of unemployment increased slightly, but so too did their total annual earnings on finding a job, by some 4% compared with groups that had to

report back. The freed-up job seekers held out longer for the right job, or searched more efficiently.

In contrast, a UK study of the Job Seeker's allowance found that after tighter benefit legislation, male job seekers' mean earnings on re-entering work fell by a fifth. However, many other studies have found that activation measures succeed in getting people into work without loss of job quality. In the US National Evaluation of Welfare to Work Strategies, most of the experimental programmes examined had a positive impact on earnings, and for several of them, for as much as five years after participation in the programme. Intensive employment counselling – teaching job seekers to search out the right kind of job for them – can even lift earnings. The trick is to combine pressure to take up work with good quality assistance, as well as training.

Of all the benefit types, one of the hardest nuts of all to crack is disability: this type of welfare has risen in the OECD, particularly in Canada, Ireland, the Netherlands, Sweden and the UK. Yet few, if any, indicators around suggest that OECD people's health has declined. But to judge from past trends, it seems that when more people are paid benefits on the basis of complaints like mental and physical stress or bad backs, more people seem to report similar problems. With the right policies, such people can often be kept in work, even part-time.

Activation policies can work well. But their impact is greatest where labour markets function smoothly and job openings are continuously announced. If very few jobs are available, say, because hiring costs are too high or recruitment rules too tight, activation initiatives, no matter how well designed, will be blunted. This would lead to a loss not only of political support, but of public motivation as well. ■

References

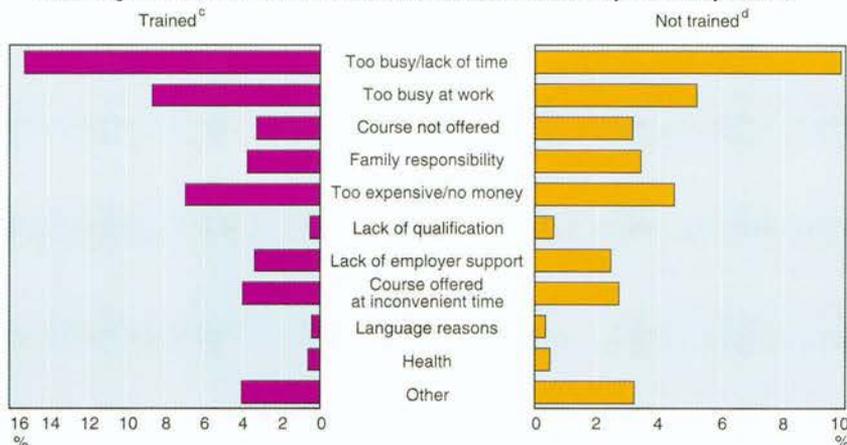
- OECD (2003), *Employment Outlook*, Chapter 4 "Benefits and employment, friend or foe?", Paris.
- OECD (2003), *Transforming Disability into Ability: Policies to Promote Work and Income Security for Disabled People*, Paris.
- OECD (2001), *Labour Market Policies and the Public Employment Service*, Paris.

Training time

Few people would disagree that upgrading skills is a vital component of any comprehensive employment strategy. Anyone who does should look at the data, which show that the employment rate of unskilled workers was about 50% in 2001, compared with 80% for workers holding a tertiary degree. University qualifications might not be needed for everyone, but lifelong learning and training are important for all, and in particular, to improve the employment prospects of under-represented groups in the labour force. Educated people not only find work more easily, but can look forward to more stable careers. In the workplace, many employers invest in training because they know it can boost productivity and quality, as well as motivating staff, even if they are free to leave and take their skills to competitors. Employees demand training, for personal development and to improve their career prospects and earnings. But despite such a broad agreement that training is important, there remains a problem of under-provision. Ironically, perhaps, educated people tend to have most access to training, while less educated employees tend to receive less training, as do part-time and temporary workers. And while training supply increases with firm size, demand for courses by employees does not.

Training costs may be too high for the workers

Percentage of workers who could not take the additional course they wanted, by reason^{a,b}



a. Employed persons aged 26 to 65 years.
 b. Unweighted average of Australia, Belgium (Flanders only), Canada, the Czech Republic, Denmark, Finland, Hungary, Ireland, Italy, the Netherlands, New Zealand, Norway, Poland, Switzerland, the United Kingdom and the United States.
 c. Individuals who received training for professional or career-related purposes.
 d. Individuals who did not receive training for professional or career-related purposes.
 Source: IALS

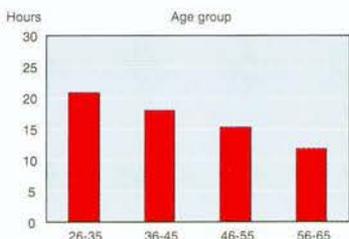
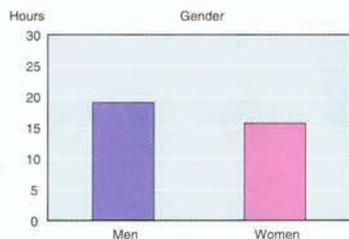
One often overlooked reason for this is time, or rather, the lack of it. In fact, according to a survey reported in the *Employment Outlook*, time is the single most important reason workers cite for not being able to take up desired training courses (see chart). And though high cost is also a barrier to learning, especially for the low-skilled groups, overcoming these financial constraints with loan schemes or individual subsidies would not help much where time-related constraints are the main obstacle to training participation. Furthermore, a significant number of workers

declare that they could not take all the training they wanted either because they were too busy at work, because the time schedule was inappropriate or because of family responsibilities. Taking all multiple answers into account, time was a problem for more than 60% of the workers who could not take the training they wanted. ■

- A detailed analysis of the importance of training and upgrading workers' skills and competencies is available in the *Employment Outlook*, at www.oecd.org/bookshop.

Training gap

Hours spent in CVT per employee, 2003



Source: OECD

Training gap

The employment prospects of women, and older and unskilled workers would improve with training: this key employment policy message is borne out by the pattern of participation in workplace training. Older workers and women simply receive less of it. Continuous vocational training (CVT), two-thirds of which is employer-sponsored, accounts for at least 60% of adult education and training in most OECD countries. About a quarter of employed persons participate in employer-sponsored CVT each year with an annual training

volume of 18 hours per employed person. Denmark had the highest volume of sponsored vocational training, with some 81 hours per participant per year.

There is a clear gender-training gap in terms of volume of hours, with women workers receiving on average 17% fewer hours of training than men. And the incidence of training tends to decline with age. In particular, the average training participation rate of workers aged 56 to 65 is only about three-quarters of that of prime-age workers (aged 36 to 45). Participation in low-skilled occupations (13%) is about a third of participation in high-skilled occupations (38%). ■

More jobs and better pay

Anne St. Martin and Peter Whiteford, OECD Employment, Labour and Social Affairs Directorate

Tightening up on benefit claims is one way of reducing dependency and raising employment. But governments can do more to make jobs themselves pay better, too.

It may sound like a truism to say that work should pay. But does it pay as much as it could, particularly for people on very low incomes? This is precisely what governments have been asking as they bid to get people off benefits and into employment. And how can governments influence pay to make it more attractive? As it happens, they can do quite a lot, particularly where low-skilled labour is concerned.

There are two broad approaches, the choice of which largely depends on a country's situation. On the one hand are countries with relatively high minimum wages like France or the Netherlands, where public effort focuses on alleviating social security charges on employers and making labour less costly to hire, while preserving social protection. On the other hand are countries with lower minimum wages and low charges on employers, like Britain and the



Is this all?

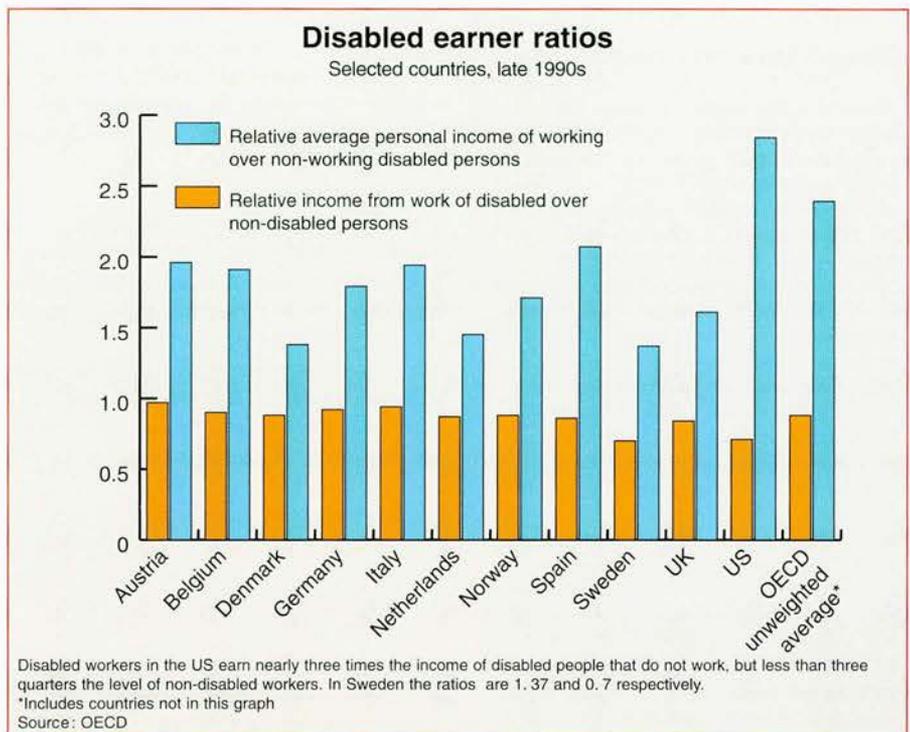
©FT Mitchell/REUTERS 2003

US, where the policy focus has been on boosting individual disposable incomes via tax credits, rebates and so on.

The problems seem straightforward. For a start, the market wage available to the low-skilled is sometimes too low, compared with welfare benefits, to encourage labour supply. Indeed, some poorer households often move between work and welfare without ever escaping from poverty. Governments can try to make work pay by modifying taxes, minimum wages and other employment-conditional benefits. And if they want to improve out-of-work benefits, in-work benefits may have to be improved even more. Hiring has to be affordable for employers, of course, since if non-wage labour costs, like social contributions, rise, so the demand for low-skilled workers becomes squeezed. This balance also affects discussions about the minimum wage and how to strike a balance between decent pay and affordable costs.

Which of the two main approaches is more effective? That depends. For a start, each approach has to be judged against its particular context, and likewise, it is not certain that, say, the British approach would work as well in Germany, or vice versa.

That said, cost is obviously a good place to start to look when judging performance. At



simply on the number of new jobs it appears to create. A closer look at policy performance is needed to see where the different approaches deliver and where they fall down.

Take employment-conditional benefits first. These have been around for quite a while, since the 1970s in the US and the UK, which used them mainly to

employment-conditional benefits for jobs paying up to £58,000 sterling (about US\$90,000). The credit applies to salaries as high as this because it is part of a general system of boosting incomes of families with children, not just employment. Recipients have to work a minimum number of hours to qualify.

Tax credits appear to be effective in encouraging lone-parent families and households where no-one works to go to work. This is no bad thing, since lone parents are among the groups with the highest level of joblessness in many OECD countries. In the UK, for instance, there is a very clear "spike" in the hours worked by single mothers in particular, as they reach the number of hours required (24 hours per week) to become eligible for the tax credit.

However, one drawback is that low hours limit their career prospects compared with full-time employment. Moreover, both the US Earned Income Tax Credit and the UK's Working Family Tax Credit are reported to have actually lowered the employment rate of married women with working spouses. Why? Because benefits are income-tested, they raise marginal tax rates on families above a modest

In France, policies to cut charges introduced in 1993 created at least 100,000 jobs – some calculate as many as 400,000 – for a total annual cost of 0.5% of GDP.

first sight, it looks as if the employment-conditional system is pricier. The British programme for instance costs about 1% of GDP, and though it produced 100,000 extra jobs, the French employer-oriented programme is estimated to have cost half that amount for about the same yield (or more) in employment. In fairness, the British system is part of a much broader approach to redistribution through targeting benefits to low and middle income families, so it cannot be judged

redistribute income rather than boost employment *per se*. However, if they are not closely targeted, their effects on employment appear limited, at least in relation to what may be a prohibitive cost for every job created.

Employment-conditional benefits are generally directed at families with low incomes, particularly those with children. The amounts paid can be quite high and are not time-limited. The UK system provides

Long hours and headaches

In the past few years, a renewed interest in working conditions has emerged. This includes concerns that changes in work practices, more flexible work arrangements, atypical contracts and work up-skilling may be degrading certain aspects of the quality of working life. Working conditions overall have improved in OECD countries, though some hazards or stress-related illnesses are reported to be more common now than in 1990. According to the European Survey of Working Conditions (ESWC), some 42% of the workers stated that they do not think they will be able to or want to do the same job when they are 60 years old.

Long hours of work can be onerous and may place a worker's health at risk or interfere with family commitments. While there has been a century-long movement towards a shorter workweek, this trend has slowed in recent decades and appears to have stopped in a few countries. The most typical weekly schedule is around 38 hours, but the proportion of individuals working more than 45 hours per week is quite large, exceeding 40% of working men in Greece, Iceland and the UK. The share of men working very long hours appears to have increased over the past decade in nearly half of the OECD countries for which data are available. The largest increases in the share of men working 45 or more hours per week occurred in Iceland, Denmark, Finland and Belgium. Working very long hours is a little less frequent for women than for men. However, the share of women working very long hours also increased over the past decade in some countries including, notably, Denmark, Finland, Iceland and the UK.



©Alex de la Rosas/REUTERS

income level. The effect is concentrated on second earners, who can face these high marginal tax rates as soon as they enter the workforce, increasing the incentive to have just one bread winner and less gross earnings so as not to lose the credit.

It seems that employment-conditional benefits work best when they are restricted to bringing in individuals who have little incentive to work otherwise, which is how they are used in France and the Netherlands, where employment rather than redistribution is the aim, where people leaving welfare are targeted and where time limitations on claims may also apply.

For improving pay more broadly, these countries have preferred cuts in employer charges, not least because in these countries such costs are relatively high. The main beneficiaries tend to be very low-skilled workers. However, the approach has drawbacks. For instance, reductions in employer charges tend to apply not just to new recruits, but to longstanding members of the workforce as well. This clearly deprives public budgets of legitimate funding from these employees. Moreover, as the payroll tax reductions come from hiring low-skilled workers, employers may be tempted to forego taking on more skilled recruits, as well as resisting wage increases at the lower end. They may also decide to hire more part-time workers.

Still, the wage-cost subsidy approach appears to produce jobs. In France, policies to cut charges introduced in 1993 created at least 100,000 jobs – some calculate as many as 400,000 – for a total annual cost of 0.5% of GDP. But evaluations of a Dutch system that was expected to produce similar results showed mixed effects on employment, though the low level of the subsidy may have been to blame, and it has since been tripled.

So, while it seems that reducing employers' social security contributions can boost employment for the low paid, the approach seems to cover too many workers and sometimes the subsidy goes to employers that do not need it.

One way around these problems is to introduce tighter targeting, including actual wage subsidies. Though they carry running

costs, such subsidies are a sensible approach and are widely used as they can help particular groups like the long-term unemployed or older workers. The take-up rate of targeted schemes is poor in some cases, and can stigmatise particular target groups, compromising their career chances. Also, their temporary nature can increase labour turnover if employers fill the same post using the subsidy. This can be overcome though, by, for instance, stopping benefit to employers that take advantage, or including training requirements that may bind the employee more closely to the firm.

In short, the jury is still out on how best to make work really pay, the choice of strategy being a matter of context and judgement.

Two lessons seem clear from all approaches. First, that some form of minimum wage is a key part of the "making-work-pay" toolbox. But it is a tricky element, since although a floor for wages can help reduce poverty and inequality, if set too high it can raise wages for the very unskilled to untenable levels, and so keep them in unemployment. On the other hand, lowering minimum wages may make staying out of work seem more attractive to many. Again, the way forward may be to cut employers' non-wage labour costs at or around the minimum wage level, so that take-home pay is maximised at no expense to the firm.

The second lesson is that striking the right work/life balance is a vital part of the task, particularly when it comes to disadvantaged groups. Take female workers. Those countries with the highest overall labour market participation rates are those where women's participation is also high. Of course not all women want to go out to work. Yet, policies which help to reconcile work and family life may be needed in the case of mothers with young children who want to work – as Nordic countries have long demonstrated. Childcare support is one such lure.

This type of thinking applies to almost any disadvantaged or minority group, whether sick, old or ethnic, and taking account of all these demands is important in building a complete package to make work pay. ■

References

- OECD (2003), *Employment Outlook*, Paris

More jobs, greater choice



lack of flexibility in the labour market; mismatch between available skills and company requirements; often insufficient incentives for people receiving income support to resume work; overly

bureaucratic regulations for hiring temporary workers; too much paper and red tape for the creation of micro-businesses and SMEs; low activity rates of certain parts of the population

Thomas R. Vant, Secretary-General, Business and Industry Advisory Committee (BIAC) to the OECD

Governments, workers and business should stay focused on concrete goals. Only then will we succeed in creating more jobs.

Business people are a practical bunch, and generally love a challenge. Throw them a problem to solve or a goal to meet and, chances are, they will come back at you with 10 strategies for meeting and exceeding that goal. As long as the objective is clear and realistic, most business folk will forge on with this “can do” attitude. And, when business and government team up working towards such a goal, results can be impressive.

But asking business and governments to meet abstract aims that mean something different to each person you talk to, creates confusion and sets everyone up for failure. This is why I, as the leader of a business organisation, am not fond of the very subjective concept of “good” jobs and “bad” jobs. Now, “more jobs” and “greater choice”: these are goals I can relate to. They can be met and surpassed if tackled in an effective way.

First, let’s look at the idea of “more jobs”. The greatest stimulus to employment is economic growth, which cannot happen without investment. Companies must operate within frameworks that encourage them to invest and expand. Here’s a “real world” example.

Several years ago, my former company, Syncrude Canada, a large oil producer, was deciding whether it would proceed with a multi-billion dollar project, and this during a period when product prices were low and construction costs were escalating. As so often in business, time became a deal breaker. We had to get conditions clear and ironed out quickly if the project was to go forward.

It was a tough dilemma. Several levels of government got together and formed one window for Syncrude management to talk to, and they stuck to their agreement. This involved timely approval of new residential development and all that goes with that sort of municipal investment, such as roads, bridges, hospitals and schools. The goal was to provide a safe and healthy environment to attract permanent employees and their families to this new opportunity.

It was a co-operative effort, made possible because different levels of government were willing to accommodate an innovative way of working with the industrial and business communities. In short, we pursued the same objectives in a transparent fashion and won.

Not only did the project come in on schedule, but also the company and the government kept their sides of the bargain. Most important, thousands “more jobs” were created and the economy of an entire region was revitalised.

Survey reveals usual barriers

Of course, all situations are not so clear-cut and there remain a variety of structural obstacles to job creation. BIAC recently surveyed its national member organisations, representing hundreds of thousands of companies in OECD countries, to find out what employers see today as the main barriers to expanding employment in their countries. The most frequent replies from a broad spectrum of members were: heavy burden of taxation and social security contributions; general over-regulation and

Not surprisingly, these issues were all mentioned in the OECD’s excellent 1994 publication, *OECD Jobs Study*. Almost 10 years later, its recommendations remain pertinent, but unfortunately, have still gone unheeded by too many OECD governments. BIAC is a staunch supporter of the study’s conclusions, and sees the OECD work as a real blueprint for job creation.

So, why is the concept of “greater choice” important? The answer is flexibility. In an ever-changing marketplace, management needs room to manoeuvre to benefit from workers’ talents in different ways. Particularly in today’s complex global market, being able to react quickly is essential if a company hopes to remain competitive and thrive. Labour rigidity holds companies back, hurting business and jobs.

In addition, workers benefit from having greater choice. Options like part-time or flexible working hours, variations in work time, innovative leave arrangements and telecommuting can help workers better match their jobs to their own needs, such as reconciling work and family life when children are young, or setting a different work pattern for the disabled or older workers. Flexibility works for both employers and employees. However, business needs the backing of both government and employees to develop working conditions that meet both the market’s evolving challenges and individuals’ needs.

More jobs and greater choice are goals we can focus on, plan for, and attain. ■

- Visit www.biac.org

Reassessing the Jobs Strategy

A new road map against unemployment

Roland Schneider, Senior Policy Advisor, Trade Union Advisory Committee to the OECD

The employment situation across the OECD is deteriorating rapidly, requiring urgent action. The time is ripe to reassess the OECD Jobs Strategy, not just in light of the last 10 years, but also of what we now know about the sources of growth.

“Remove your labour market rigidities” is a constant refrain governments are well familiar with in OECD countries, particularly (but not exclusively) those facing high unemployment. It is certainly the underlying message in the OECD’s Jobs Strategy issued in the mid-1990s, with its set of policy prescriptions as noteworthy for their market bias as their lack of social content: reform of overly generous unemployment benefits, removal of strict employment protection legislation, restrictions on trade union activities and elimination or sharp reduction of minimum wages. Reading down the list makes one wonder which direction the OECD would like labour markets to go: forwards on a high road towards a more enlightened, inclusive framework for the 21st century, or backwards, to a Dickensian-like world reminiscent of 19th century Britain. But this matters little; unemployment is down, we acknowledge that, though whether the OECD’s strategy is to thank for it, and not just the wave of liberalisation from the 1980s and the boom in services, or the new economy, is another question.

Is it really true that structural reforms implemented over the course of the last decade can account for the better employment performance of several OECD countries? A look at those countries which enacted the Jobs Strategy or took similar steps should provide some clues. The answer is less clear-cut than some will accept.

No winning structure

In fact, the assertion that looser labour market institutions and deregulated labour markets will allow the economy to operate at a higher level of activity is unconvincing. The



Labour office

© Arnd Wiegmann/REUTERS

OECD’s growth study found that efforts to implement the prescriptions for labour market deregulation did not necessarily lead to an impressive performance regarding employment and growth. Moreover, the recent good growth and employment performance in the Nordic area in particular (often misleadingly discussed alongside Anglo-Saxon examples) has been achieved without dismantling the welfare state. Why? Quite simply, because high employment rates can be forged out of policies that privilege linking social dialogue, macroeconomic policy and labour market policy.

A recent study, conducted at the Center for Economic Policy Analysis (CEPA) at the New School University in New York, found very little evidence to support labour market deregulation as the best route to increasing employment. Using OECD data and constructing an index of the extent of labour market deregulation, the study failed to establish a meaningful relationship between labour market deregulation and shifts in the “Non-Accelerating Inflation Rate of

Unemployment”, or NAIRU, which is the unemployment rate consistent with maintaining stable inflation. Similar evidence has been provided by a recent World Bank study, which argues that economies perform better when they have co-ordinated, not balkanised, labour markets.

To challenge the prescriptions of the Jobs Strategy, just take a look at New Zealand, which embarked on a wide range of labour market reforms, in some ways as substantial if not greater than in any other country over the same period. However, in light of a rather tight macroeconomic policy, those reforms failed to increase employment substantially.

Ireland is another small country which, in contrast, experienced a sharp fall in unemployment during the 1990s as well as higher employment. However, it did so not by implementing the reforms to the benefit system or other labour market institutions advocated in the Jobs Study, but by leaning on those very institutions to co-ordinate

economic and social policy. In fact, Ireland's wage bargaining system was recentralised and the entire Irish boom was underpinned by a succession of social pacts that demanded worker participation, trust and, yes, restraint, rather than major sacrifices in jobs or social welfare.

Staying with small countries, Denmark is another that has achieved astonishing cuts in unemployment. Has any labour market outstripped the Danish performance in the OECD area between 1990 and 2002? No, not even the US or the UK. Unemployment was brought down without reducing high income

market theory or a genuine attempt to provide a set of practical tools that policymakers can use to solve tough labour problems? Labour markets and employment systems cannot simply be shoe-horned into a standardised market model. True, markets must guide business decisions, but regulation often enables, rather than hinders, those decisions.

Nor does economic welfare translate automatically into sufficient social welfare. And despite all the changes affecting the world of employment, work remains a social activity (career, progression, status, security,

means its suitability and performance must be tested in bad times, as well as good. So, any reassessment of the Jobs Strategy must also examine how to strike a balance between labour market reform and social protection. It should explain the impact of redesigning benefit systems to become instruments of employment promotion rather than social equity. It should highlight any new poverty traps that may have arisen from these changes, too.

What we all badly need is a comparative, in-depth and dispassionate analysis of policies pursued by OECD countries to combat unemployment, to improve job quality and to enable an ageing labour force to stay longer in employment. We do not need to hear OECD experts hailing labour market reforms as the panacea of our ills. The diagnosis "the patient must fit the medicine" is not on. Unemployed and excluded persons from New Zealand to Ireland, whether via California or Kobe, deserve more. And so do their governments. ■

Recent growth and employment performance in Nordic countries has been achieved without dismantling the welfare state. Why?

replacement rates (which are close to 90% of previous earnings). Instead, Denmark's active labour market policy used an approach known as "flexicurity", combining generous social security with flexibility, backed up by an appropriate macroeconomic framework.

In fact, other European countries with so-called rigid labour markets, like Austria, the Netherlands and Sweden, have all had lower unemployment rates than the US. The Jobs Strategy should explain why, for it seems, at the very least, that good social welfare does not condemn countries to lasting unemployment.

Lessons for reassessment

All this begs the question: is the Jobs Strategy an exercise in trying to prove free

etc.), and is embedded in social structures (workplace, family, cities, democracy, and so on). Thus, labour markets must be judged on their abilities to strike a balance between economic and social goals.

The Jobs Strategy is an impressive undertaking, but to be useful in the real, multidimensional world, it really must try convincingly to explain why employment and labour market policies in countries that have not closely followed its policy prescriptions have been successful. It must also try to explain why many reform efforts failed to tackle important issues like employment promotion, social security and inclusion, as well as cohesion. The Jobs Strategy must surely evolve with experience, not the other way round. That

References

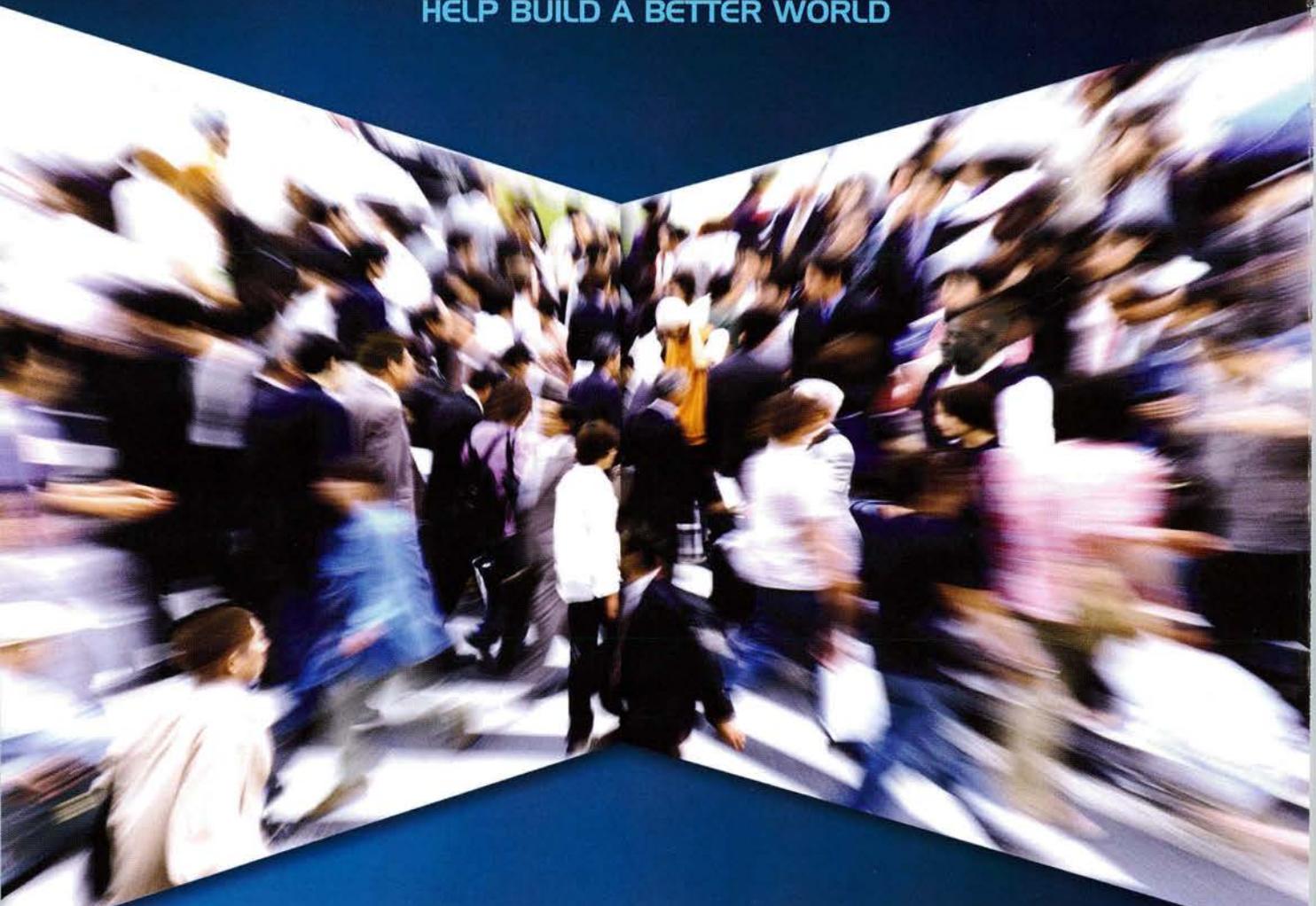
- OECD (1995), *The OECD Jobs Study: Implementing the Strategy*, Paris.
- OECD (2001), *The New Economy: Beyond the Hype*, Paris
- OECD (2003), *Employment Outlook 2003*, Paris.
- ILO (2003), *Global Employment Trends 2003*, Geneva.
- Center for Economic Policy Analysis (CEPA) (2002), Research Project: "Liberalization and Employment Performance in the OECD", www.newschool.edu/cepa/research/libemp00.htm
- Aidt, T. and Tzannatos, Z., (2002), *Unions and Collective Bargaining: Economic Effects in a Global Environment*, World Bank, Washington D.C.

FRANKIE.org by Stik



GROW, DEVELOP AND PROSPER

HELP BUILD A BETTER WORLD



Speakers who appeared at OECD FORUM 2003 included:

Helen Clark,
Prime Minister of New Zealand;
Francis Mer,
Minister of Finance, France;
Supachai Panitchpakdi,
Director General, WTO;
Heizo Takenaka,
Minister for Economic and Fiscal Policy,
Japan;

Gareth Evans,
President and CEO,
International Crisis Group;
Thierry Desmarest,
Chairman and CEO, TotalFinaElf;
Luis Ernesto Derbez,
Minister of Foreign Affairs, Mexico;
John J. Sweeney,
President, AFL-CIO, United States.

For further information regarding the full conference programme,
summaries of the discussions, and future announcements regarding the next OECD Forum:
Visit <http://www.oecd.org/forum2003/> or email: oecd.forum@oecd.org

Progress in education

Studying the signs

Andreas Schleicher, OECD Education Directorate



©REUTERS/ION SUPER

Watching educational trends is a study in itself and one that requires great patience. But a close look at performance patterns over the last decade reveals some rather interesting shifts.

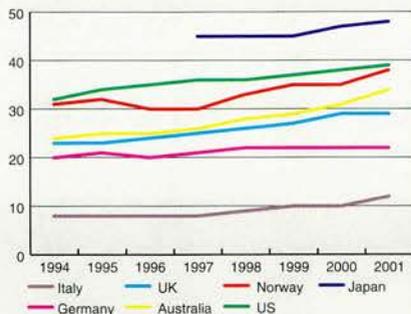
Many headline economic indicators fluctuate day by day. With few exceptions, commentators judge the success or failure of economic policies in quarterly data or annual growth rates. It is harder to become excited about education in the same way, since both policy and indicators measuring performance inch forward at a much slower pace. True, a headline on the performance of our children in reading or mathematics

can cause people to sit up. But it may be 5 or 10 years, or even a generation, before policies to address these issues bear fruit. This is not surprising, when one considers that educational outcomes for students graduating from secondary school this year may be influenced by the teaching they received when they started school around 1990, possibly in classes where the teachers themselves had been trained in the 1960s.

Yet, considering public and private spending, education not only absorbs 5.9% of GDP in the OECD area, but is a key resource in today's knowledge-driven society. So shouldn't we monitor its performance more closely? The OECD has been responding to this by collecting reliable educational indicators for over a decade, using comparable data to make it possible to track some longer-term trends. Its annual compendium, *Education at a*

Paper chase

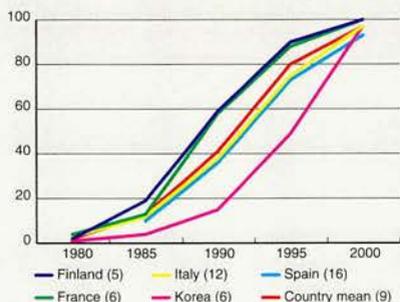
% population aged 25-34 with tertiary education qualifications, selected countries



Source: *Education at a Glance*, 2003

Technology classes

% of students with access to computer applications at upper secondary school*, with number of students per computer in 2000 in brackets



* In schools where standard word processing and spreadsheet applications had been introduced.
Source: *Education at a Glance*, 2003

Glance, the latest edition of which has just been published, confirms that, yes, things change slowly, but gives a clear indication of the direction of change.

Comparing some of the key data for 2000/2001 with indicators from 5 or 10 years earlier shows much that remains familiar. Take spending levels. Denmark and Sweden continue to spend the most public resources on their education systems, 6.4% and 6.3% of GDP respectively, compared with an OECD average of 4.8%. The United States remains close to average in public spending on education, but thanks to its significant private spending on tertiary education, its total education spending of 7% of GDP puts it near the top. Korea now leads the field, with 7.1%, again reflecting significant private spending on higher education. Japan is still a modest spender, with 4.6%, even when above-average private spending is taken into account.

The picture for enrolment levels has altered more. The 1993 edition of *Education at a Glance* showed that, in 1990, European countries on the whole had higher participation in early childhood education, but a smaller percentage going on to obtain university qualifications than in the United States, Canada or Australia. This pattern is changing. In particular, a number of European countries, including the United Kingdom and some Nordic countries, are now educating over a third of their young people to university level.

The effect of such shifts on the education level of the workforce is only gradual. For instance, an increase in the graduation rate among young people 10 years ago will have affected about a quarter of people presently of working age. Our first chart shows that, nevertheless, there has been considerable movement in some countries in the proportion of well-qualified young people. Tertiary attainment among 25 to 34-year-olds is increasing everywhere, but most markedly in Australia, Belgium, Canada, France, Ireland, Korea, Norway, Spain, Sweden and the UK, where double-digit growth since 1991 has helped them more or less to catch up with the United States. Germany and the UK each started the

1990s with about a fifth of their 25 to 34-year-olds being highly qualified; while this has not changed much in Germany, in the UK the proportion is now approaching a third. This suggests that Germany has had difficulty expanding access to higher education, though reform efforts now under way should alter the picture in years to come.

One key point is that these "tertiary" education data include not just full university degrees, but a range of lower-level diplomas as well. The latter are particularly common in Japan, helping to account for its high attainment rate.

In addition to the continued expansion of education systems, two other recent trends stand out. First, the 1990s was the decade when girls shot ahead of boys in terms of their educational attainment in many areas, and all but a few vestiges of male educational "superiority" disappeared. Young women are now more likely to graduate from university-level institutions in most OECD countries; there are only three countries where young men are significantly more likely to do so (Japan, Switzerland and Turkey). In the past, men typically had better access, and the 1993 edition of *Education at a Glance* shows that, in 1990, men still had higher university-level graduation rates than women in half the countries with comparable data. Nevertheless, there remain discrepancies in educational and career choices, with young men still favouring physics, mathematics and engineering-based courses at university, and young women opting for the social sciences, health and teaching-related courses.

Girls were also better readers in every one of the 43 countries taking part in the OECD's Programme for International Student Assessment (PISA) survey of performance among 15-year-olds in 2000. In about half of the countries, boys remained ahead in mathematical literacy, but here the differences were smaller, and in science there were few significant differences. In 40 out of the 42 countries taking part in PISA, 15-year-old girls also reported higher expectation about their future occupations than boys. However, career expectations of boys were much

more often associated with physics, mathematics or engineering while girls more frequently expected occupations related to life sciences and health, mirroring the picture of current graduation rates in tertiary education.

Second, the clearest way in which schools themselves look different today from a decade ago is the use they make of information and communication technology (ICT). In 1990, most upper secondary schools had yet to introduce basic computer systems; today, virtually every school has done so, with Internet and email coming on stream for most by the end of the decade.

However, the take-up of new technologies has been far from uniform, as this year's *Education at a Glance* shows. Some countries, such as Finland and France, adopted ICT earlier, whereas countries like Italy, Korea and Spain did so much later. In general, the early countries are also those who today devote most resources to their ICT needs, although Korea, which started to invest only very recently, now has one of the highest ratios of computers per student in the OECD area (see graph).

Together, these indicators do not give a single answer to the perennial question: which education system is the best? But they do give policymakers a tool to identify areas for investment and improvement over time. Moreover, they yield ever more useful international benchmarks that help each country monitor its own progress against

Can you swing it?

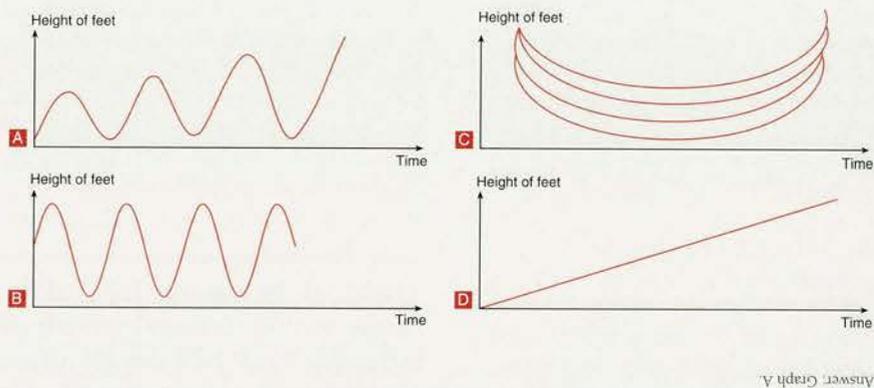
"Mohammed starts to swing. He is trying to go as high as possible. Which diagram best represents the height of his feet above the ground as he swings?"

The question is from a new publication, *The PISA 2003 Assessment Framework*, and is a sample of the kind of questions the OECD's PISA study used to compare students' mathematical, scientific and literary skills across countries as they approached the end of compulsory education. The new book shows just how the 15-year-olds taking the tests were put through their paces, as well as giving others a chance to find out how they would measure up to PISA, with sample questions in all three areas.

The "swing" test (see diagrams) is one of those in the maths section. Students were asked to look at four graphs and determine which one best represented the height of the feet of a boy sitting on a swing. Other test questions addressed problems such as rival bank offers, asking students to compare different combinations of interest and bonuses and decide where best to place their money, and how to monitor this over time. Basically, the goal was to measure students' ability to use maths in the real world.

By the way, in case you are stuck on the swing question, the correct answer is below.

- For more on Pisa, visit www.pisa.oecd.org



Answer: Graph A.

stir in many countries. With the second round of assessment carried out this year to be reported in 2004, a first glimpse of

will only see the effects on 15-year-olds within four or five years. So, expect the most telling findings to be published in about 2010. Is that too slow? Parents of eight-year-olds today probably won't think so. ■

In 1990, in European countries on the whole, a smaller percentage of students went on to obtain university qualifications than in the United States, Canada or Australia. This pattern is now changing.

the performances of others, and so help to foster progress in our education systems.

Useful indicators in the years ahead will continue to be generated by the ongoing PISA enterprise. Every three years, PISA tests the knowledge and skills for life acquired by 15-year-olds as they approach the end of compulsory schooling. The results from the first tests in 2000 caused a

progress over time – that is to say, not just of our children but of the effectiveness of government responses – will be possible.

But don't hold your breath. Performance changes over a three-year period will probably be small. A country making changes to secondary education in response to the first PISA results published in 2001 might just be implementing them now, and

References

- OECD (2003), *Education at a Glance*, Paris; visit www.oecd.org/edu/eag2003
- OECD (2002), *Reading for Change: Performance and Engagement across Countries*, Paris.
- OECD (2001), *Knowledge and Skills for Life: First Results from PISA 2000*, Paris.
- OECD (1993), *Education at a Glance*, Paris.
- Bulmahn, E. (2002), "PISA: The consequences for Germany", in *OECD Observer* No. 231/232, May 2002; available at www.oecdobserver.org
- Hirsch, D. (2002), "How good is our global education? The PISA survey", in *OECD Observer* No. 230, January 2002; available at www.oecdobserver.org

Cancún and the Doha agenda

The key challenges

Joint Declaration by the Heads of the IMF, OECD and World Bank ahead of the Fifth World Trade Organization Ministerial Conference in Cancún, Mexico, 10–14 September 2003

4 September 2003* – Next week, trade ministers will gather at Cancún to advance the Doha Development Agenda. They carry with them the aspirations of millions around the world whose hopes for economic advancement rest on opportunities in the global economy. Trade is a driving force for economic expansion in developed and developing countries alike. Promoting the growth of trade is essential for global economic prosperity. And the Doha negotiations are a central pillar of the global strategy to achieve the Millennium Development Goals: a strategy to reduce poverty by giving poor people the opportunity to help themselves.

Ambitions for Cancún must be commensurate with these objectives. We need a decisive break with trade policies that hurt economic development. Donors cannot provide aid to create development opportunities with one hand and then use trade restrictions to take these opportunities away with the other – and expect that their development dollars will be effective. Developing countries have an important responsibility in using the multilateral system to promote better integration among themselves and with the global economy. Their tariffs and non-tariff barriers stand as major obstacles to their mutual trade.

All countries have an interest in a successful outcome – and all have a duty to promote a broad and balanced agenda. But appropriate action by the developed countries is crucial. In this regard, we applaud the progress that has been made in negotiating public health exceptions under the TRIPS Agreement and encourage the parties at Cancún to build on the recent momentum in the talks on agriculture.

Agriculture is of particular importance to the economic prospects of many developing countries, and reforming the current practices in global farm trade holds perhaps the most immediate scope for bettering the livelihoods of the world's poor. Yet, developed countries impose tariffs on agriculture that are eight to ten times higher than on industrial goods. Many continue to use various forms of export subsidies that drive down world prices and take markets away from farmers in poorer countries.

In every sector except agriculture, these same countries long ago agreed to prohibit export subsidies. Agricultural support costs the average household in the EU, Japan, and

longer run, investments in education. And it means policies to safeguard the interests of the most vulnerable in society. Both often require external technical and financial assistance. We are ready to help. All our organisations have stepped up efforts to provide "aid for trade" in support of a positive outcome of the Doha talks. Together, we have the mandates, the resources and the expertise to assist countries in managing the adjustment pressures that can be associated with more open trade.

But the key challenges now lie with governments. All have to do their part. Rich countries have to take the lead in areas now blocking the talks, particularly agriculture.

Trade can be a powerful tool for development. It should be placed firmly within national strategies for development and poverty reduction, and be built on a foundation of good governance.

United States more than US\$1,000 a year. Much of this support depresses rural incomes in developing countries while benefiting primarily the wealthiest farmers in rich countries, and does little to accomplish the environmental and rural community goals that developed countries strive to pursue.

Trade can be a powerful tool for development. To be fully effective, trade policy should be placed firmly within national strategies for development and poverty reduction, and be built on a foundation of good governance. Realising the benefits of greater trade will require complementary efforts. On the supply side, this means investments in infrastructure necessary to ensure that the products of the poor can reach global markets and, in the

Middle income countries have to contribute as well, reducing tariffs that affect not only their own citizens but other developing countries. And low-income countries, even as they receive more aid for trade and win more time to implement some WTO rules, have to assume new responsibilities of participation in the international system.

Working together the international community has an opportunity to help the world's poor. We should not let it slip away. ■

Horst Köhler, IMF
Donald J. Johnston, OECD
James D. Wolfensohn, World Bank

* The outcome of the Cancún meeting will be discussed in the next edition of the *OECD Observer*, No. 240.

If you can't measure it, then you can't manage it

“If you can't measure it, then you can't manage it.” As South African minister of finance, the Hon Trevor Manuel, said at an April 2002 workshop in Cape Town, South African stakeholders are striving to agree on common indicators of progress towards development. Yet for much of the developing world, the capabilities for producing the statistics required to monitor progress have stagnated or have been largely ad-hoc.

For the development partners struggling with the challenge of ensuring that their resources are optimally spent in the world's poorest countries, the focus is now on aid effectiveness. Convincing supporting evidence to assess the performance of development efforts comes largely from statistical systems. Without gauging the extent to which efforts to reduce poverty are effective, those efforts proceed in the dark. Statistics shed the light necessary to see the path to sustainability.

Statistics

Unfortunately, statistics are perceived as dull, which has hampered investment in statistical governance. Very little public acclaim is earned from an investment in statistics, compared with investments in health, agriculture, and nutrition. Yet without statistics to measure the benefits of investments in social programmes, who can say that the money was well spent?

To achieve our common goals of development – including the millennium development goals (MDGs) agreed in the 2000 millennium declaration – development practitioners on all levels must work hand in hand. And if measuring the progress of development is not treated as one of the costs of meeting the MDGs, then we, globally, are unable to hold all the signatories accountable.

Data on a country's progress must originate from within the country. Statisticians are now being asked to meet new challenges, good governance is widely regarded as a prerequisite



for development, and statistics are now being used in calibrating governance indicators. Statistics are themselves part of good governance. While the major users of statistics are governments themselves, statistics must also be made available to the general public and to civil society to hold their governments to account. Statistics are vital to the democratic process; they ensure transparency and accountability and provide the background information against which private investors make their decisions. It is for this reason that support to statistical offices in developing

countries for sustaining the design and implementation of poverty reduction policies and monitoring their impact is crucial.

Partnerships

The New Partnership for Africa's Development (NEPAD) promotes principles of country ownership, transparency, good governance and the fight against poverty. These principles are complemented by those of the Partnership in Statistics for Development in the 21st Century (PARIS21) in its collaborative action with

national, international and regional bodies in Africa to promote country-owned strategies for the more effective use of information and statistics in the development process.

Hosted by the OECD's Development Co-operation Directorate, PARIS21 acts as a catalyst for promoting a culture of evidence-based policymaking and monitoring. We focus on promoting high-quality statistics, making these data meaningful and designing sound poverty-reduction policies. Our role in PARIS21 is to foster more effective dialogue among those who produce development statistics and those who use them, through facilitating international events, supporting country-based activities, organising regional workshops, and convening subject matter task teams. PARIS21 actively promotes south-south co-operation and lesson learning between countries in the region, reinforcing NEPAD's peer review approach.

Initiatives such as NEPAD are echoing the call for dialogue on how to provide information and statistics in developing countries. This demand must be met with a change of culture and with professionals communicating between countries

**Statistics are vital to the democratic process;
they ensure transparency and accountability**

and across their areas of specialisation to accelerate the change process.

PARIS21 exists to facilitate this communication, and we therefore feel a kinship with the *OECD Observer's* mission, as we both serve as a forum for dialogue on issues related to policy development. PARIS21 congratulates the *Observer* for its 40 years of dedicated service to the OECD and the wider community of policy experts. We applaud your work in opening discussions on important themes and wish you continued success.

Developing trade

Trade capacity-building – enabling developing countries to participate fully in the multilateral trading system – is a key element of the Doha Development Agenda. Information on progress in this area is now available from an OECD/WTO joint trade capacity-building database (TCBDB). The database covers trade-related technical assistance and capacity-building projects at both national and regional level.

It currently lists some 8,000 activities for 2001, 2002 and early 2003, provided by 39 bilateral donor countries and multilateral agencies, ranging from dispute

settlement and transparency to e-commerce. Commitments to trade-related technical assistance and capacity-building equate to some 4.8% of total aid commitments in 2001-2002, on a par with the share going to population programmes and more than the shares going to basic education or basic health, the second *Joint OECD/WTO Report on Trade-Related Technical Assistance and Capacity Building* found. ■

- Visit the TCBDB at: <http://tcbdb.wto.org/>
- For the full text of the second *Joint OECD/WTO Report on Trade-Related Technical Assistance and Capacity Building*: www.oecd.org/dac/trade

Czech president's visit



Czech president Klaus with OECD secretary-general Donald Johnston

During a speech to the OECD Council in Paris in July, Czech president Vaclav Klaus took stock of his country's economic record since 1995 when his country joined the OECD. The visiting president also looked to the future and the prospects of European integration.

Mr Klaus was prime minister of the Czech Republic from 1992-1997,

during which period his country became the first from the former Soviet bloc to join the OECD in 1995. It was followed by Hungary, Poland and the Slovak Republic.

During his two-day visit to Paris, the Czech president also met with French president, Jacques Chirac, the prime minister, Jean-Pierre Raffarin, and other French politicians. ■

Long-term energy

Noé van Hulst has been appointed director of the International Energy Agency's (IEA) Office of Long-Term Co-operation and Policy Analysis. He succeeds Olivier Appert. Dr. van Hulst, a Dutch national, is the former director-general for competition and energy at the Dutch economy ministry.

The Office of Long-Term Co-operation and Policy Analysis at the IEA, a sister organisation of the OECD, conducts policy analysis of coal, gas and electricity, including nuclear and renewables in the context of energy market developments, and monitors key policy issues raised by regulatory reform and market liberalisation. It reports on the energy policies of member countries and carries out analysis to assist in the integration of environmental and energy policies. The Office is also responsible for the influential *World Energy Outlook*, published annually. ■

Knowledge forum looks at new world order

How can we get back onto a path towards global prosperity and stay there in the wake of terrorist threats, war in Iraq, the SARS outbreak and corporate upheaval? The World Knowledge Forum (WKF) can help face up to political and economic risks, offering a crucial mix of business insights, survival strategies, and diagnostics of present status and future trends. This year's Forum in Seoul from 14-17 October tackles the theme "Creating a New World Order and Economy". Northeast Asia is currently a hot topic both politically and economically, and this year's WKF includes an OECD plenary session on the theme "Northeast Asia at the Center of Dynamism". The OECD and the WKF are knowledge partners in the WKF and the OECD's annual Forum. Other sessions will cover issues such as trust in the new world order, the challenge of rebuilding North Korea, the role of the US economy, human capital, and how to encourage creativity. ■

- For full details of the WKF 2003, visit www.wkforum.org

Calendar of forthcoming events

Please note that many of the meetings mentioned are not open to the public or the media and are listed as a guide only. All meetings are in Paris unless otherwise stated. For further information, consult the OECD website at www.oecd.org, under "key upcoming events", which is updated weekly.

SEPTEMBER HIGHLIGHTS

- 8-10 **Entrepreneurship and SME Development**, workshop organised by the Directorate for Employment, Labour and Social Affairs (ELS). Budapest, Hungary.
- 24 **A Learning Workforce for the Knowledge Economy: Rethinking Methods, Roles, Responsibilities**, a joint Business Industry and Advisory Committee (BIAC)/Trade Union Advisory Committee (TUAC) meeting.
- 29-30 **Employment and Labour Ministerial meeting**, "Towards More and Better Jobs", organised by ELS.
- 29-3/10 **Financial Action Task Force**, plenary meeting. Stockholm, Sweden.

OCTOBER

- 1 **Debate on the OECD and the World Economy**, at the Parliamentary Assembly of the Council of Europe. Strasbourg, France.
- 2 **Policy Coherence for Development**, high-level parliamentary seminar organised by the OECD Public Affairs Division.
- 6-7 **Conflict, Peace and Development Co-operation**, network meeting organised by the Development Assistance Committee (DAC).
- 6-8 **OECD Fisheries Committee** meets.
- 14-15 **The Economics of Waste**, workshop organised by the Environment Directorate (ENV).
- 14-17 **World Knowledge Forum: "Creating a New World Order and Economy"**. Seoul, Korea.
- 16 **World Food Day**, organised by the FAO.
- 17 **International Day for the Eradication of Poverty**, organised by UNICEF.
- 20 **Trade dialogue** between civil society organisations and the OECD Trade Committee.
- 20-24 **Taxation of Electronic Commerce**, seminar organised by the Directorate for Financial, Fiscal and Enterprise Affairs (DAF). Vienna, Austria.
- 24-25 **Governance and Accountability**, conference organised by the Directorate for Public Governance and Territorial Government (GOV). Hong Kong, China.
- 27-28 **New and Emerging Health-Related Technologies**, workshop organised by the Directorate for Science, Technology and Industry (STI). The Netherlands.

- 29-31 **50 Years of Transport Research: Past Experience and Major Challenges Ahead**, symposium organised by the European Conference of Ministers of Transport (ECMT). Budapest, Hungary.

NOVEMBER

- 3-4 **Trade in Educational Services**, forum organised by the OECD Education Directorate (EDU).
- 5-7 **Fostering Successful Implementation of Sustainable Urban Travel Policies**, workshop organised by the ECMT and the US Department of Transportation. Washington, DC.
- 5-7 **Chemical Accidents**, working group meeting organised by ENV, to address UN recommendations for prevention of chemicals terrorism.
- 12-14 **School Safety and Security**, seminar organised by EDU.
- 17-18 **OECD-World Bank Services experts** meeting, bringing together representatives from both OECD and non-OECD countries to debate the General Agreement on Trade in Services (GATS).
- 17-18 **Encouraging Modern Governance and Transparency for Investment: Why and How**, OECD global forum on international investment, organised by DAF. Johannesburg, South Africa.
- 19-20 **Forum on Harmful Tax Practices**, organised by DAF.
- 26 **OECD Economic Outlook No. 74**, published.
- 26-27 **Trade Capacity Building and Private Sector Development in Asia**, workshop sponsored by DAC. Phnom Penh, Cambodia.

DECEMBER

- 8-10 **OECD Health Project**, meeting organised by ELS.
- 10-11 **Designing and Implementing Pro-Poor Agricultural Policies**, meeting of the Global Agricultural Forum, organised by the Directorate for Food, Agriculture and Fisheries.
- 10-12 **World Summit on the Information Society**. Geneva, Switzerland.
- 14 **G8 labour and employment ministers meet**. Stuttgart, Germany.
- 15-16 **OECD China Seminar on Environmental Indicators**, organised by ENV.



Less work, more play

Combating Child Labour: A Review of Policies



Rachid is the first in line to apply for work when the factory comes to town. He is hired, along with a few of his friends. So far so good. The hours would be long, but the pay seems okay compared with the odd jobs he has been picking up around the city. And as this is a large well-known firm, the job should be a secure one. The trouble is, Rachid is only 11 years old.

Employing children is not uncommon practice in many developing countries and may even have local, cultural backing. Economic growth may eventually provide the social, political and institutional means needed to reduce the incidence of child labour in developing countries. But if growth and investment (including foreign

investment) are too reliant on poor labour practices, these may in fact hold back rather than spur development, and so prolong the problem. Early action can be taken. *Combating Child Labour* reviews the effectiveness of policies that have been implemented to combat this problem, while at the same time securing the development prospects of the countries concerned.

Child labour is not easy to measure. Most national labour force surveys do not collect information for persons under 15 on the assumption that children are not in the labour force. Yet, according to ILO estimates, more than 12% of the world's children aged 5-9 are at work. The figure rises to 23% for children aged 10-14, with almost 245 million children subject to child labour. Of these, about 179 million are subject to the worst forms of employment, such as slavery, forced or bonded labour, hazardous work, prostitution and other illicit activities carried out under exploitative conditions.

The causes of child labour are complex, and prohibiting it will not work by itself. In fact, if child labour is outlawed without providing children with a viable alternative, including education, the risk is that criminal activity such as child trafficking will increase. The scores of institutions that are working to eradicate the exploitation of under-age workers recognise that the worst abuses of children are, in fact, already illegal in many countries. The stickler is the inseparable dynamics between child labour and economic development. For many families, especially in Africa and Asia, children's earnings put food on the family table.

Advances are being made. Programmes like Progreso in Mexico or Bolsa Escola in Brazil which provide support to families that send their children to school, seem to work well, and at a relatively low cost. Such programmes are based on incentives, instead of sanctions, and they provide a good opportunity to create a virtuous cycle between higher school attendance, lower child labour

and better economic development.

The growing public pressure for good corporate ethics has CEOs self-consciously defending their labour practices as regulators peek over their shoulders. For instance, the Rugmark Foundation has helped to clean up the carpet industry in India, Nepal and Pakistan. Manufacturers earn the Rugmark certification by agreeing not to employ children under 14, to pay adults the minimum wage, to register all of their production's looms, and to allow access to the looms for unannounced inspections. It seems to be working. Eight years ago, one illegal child worker was found in every five inspections, and today the proportion is one in nineteen.

Combating Child Labour also calls for a stronger fight against child trafficking and prostitution. It requires international co-operation in the judiciary field and strong political will at all levels to ensure that children like Rachid can look forward to a better future. ■

Out of the Japanese kitchen

Babies and Bosses – Reconciling Work and Family Life, Vol. 2: Austria, Ireland and Japan



When Junichiro Koizumi, Japan's prime minister, appointed five women to his cabinet in 2001, he was making history by creating his country's most female government ever. Whether the corporate world follows suit is another matter. This second volume of *Babies and Bosses* finds that if Japan

wants to improve its work and care balance, it needs to make the workplace more hospitable to women. And doing so could improve company earnings too.

While the overall female employment rate is comparable to OECD averages at just below 60%, the comparison falters when examined in light of family commitments. *Babies and Bosses* shows that in Japan the overwhelming trend in the workforce is for married women to stop work at the birth of their

first child; only 25% of mothers with a child under three are in work, compared to 32% in Austria and 45% in Ireland, the other two countries studied in the report.

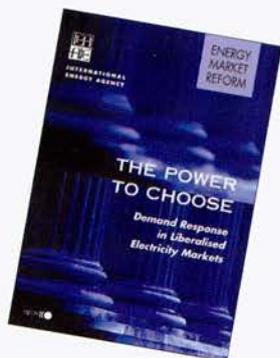
Part of the problem is a lack of status in the workplace. Over 70% of all Japanese workers are "regular" employees who have a long-term relationship with their employer, and receive in-house training and family allowances. Of these, over 85% are male. By contrast, "non-regular" employees are often paid by the hour, at minimum wage, and frequently work less than 35 hours per

week. These workers have limited career prospects. And they are predominantly female.

Yet, as *Babies and Bosses* shows, Japanese women are more likely than men to have completed secondary education. The fact that so many well-educated women are not in employment or are in poor jobs reflects a loss of investment. The *Mainichi Shimbun*, a Japanese daily newspaper, cites a recent government study finding that if the ratio of women employees increased by 10%, profits would rise by 0.2 points. Hiring more women clearly pays. ■

Lights out, but what about the markets?

The Power to Choose: Demand Response in Liberalised Electricity Markets



After the recent North American blackouts, US energy secretary Bill Richard told CNN that "the United States is a world power, but it has the electricity grid of a third world country". Slate.com begged to differ, observing that third world countries can generally put up with frequent minor blackouts, whereas OECD countries require a very reliable, interconnected, very first world grid. Does today's ongoing deregulation of energy make for more or less volatility in the power supply business? Could the recent electricity breakdowns in New York and London have been avoided in an even more liberalised energy market?

While many critics blame fast and furious deregulation, *The Power to Choose* argues that deregulation has not yet gone far enough in OECD countries. It says that too much attention has been paid to the supply side of the market and not enough to the demand side, with no room for a price mechanism to work. In the process of deregulation, the tendency has been for suppliers to compete fiercely for customers by offering low and fixed prices. At the same time, in the wholesale markets where

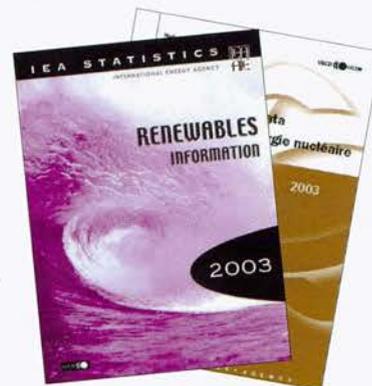
electricity is traded, prices have fluctuated wildly from hour to hour, day to day, and season to season. Customers, seeing only a fixed price, have had no incentive to help moderate these swings by reducing their demand at peak times.

The Power to Choose shows that if customers are more exposed to real market prices they will respond. It cites studies showing that a 5% reduction in demand would have reduced the highest wholesale prices in California's power crisis two years ago by 50%. But the technology to monitor or manage electricity demand in real time, and hence to measure and reward changes in consumer behaviour, has been considered too expensive for demand response to be cost-effective. Yet the estimated costs of transmission congestion, according to a report from the US Department of Energy, are about US\$450 million per year. *The Power to Choose* argues that when prices fail to play their normal role of balancing natural swings in supply and demand, the result is excessive price volatility, over-investment in peak supply capacity and, ultimately, a greater risk of system failures. ■

Power to burn

Renewables Information 2003

Nuclear Energy Data 2003

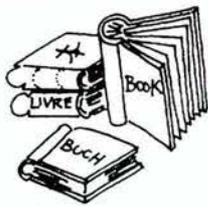


The efficiency of power grids may be in the spotlight now, but the availability of energy resources is also a burning and divisive question. *Renewables Information 2003*, from the International Energy Agency, shows that in the past decade, renewable energy sources, such as solar power, hydro, wind and combustible biomass resources have been gaining ground. Renewables have grown annually at 1.7%, a slightly higher growth figure than that for gas, oil, coal and nuclear, at 1.4%. Solar, wind and tide have shown especially high growth, at 19.1% per year, although their contribution to energy supply still represents less than 0.1% of total world energy supply. Hydro power provides 2.2% of world supply, while the largest renewable energy source comes from solid biomass, at 10.4%, due to its widespread domestic use in developing countries.

Furthermore, *Renewables Information* reports that, in non-OECD regions, renewable electricity has kept pace with growth in total electricity generation, whereas in OECD countries, the growth of renewables was much lower than the increase

in total electricity generation. *Renewables Information 2003* explains that population growth is much higher in developing countries than in OECD countries, and as income increases, people switch from fuel wood and charcoal to kerosene and propane for cooking, and start to have access to electricity, for instance, through rural electrification programmes. As a result, future electricity growth, including that of renewable electricity, is expected to be higher in non-OECD countries than in their OECD counterparts.

So, what of the outlook for nuclear energy? According to *Nuclear Energy Data 2003*, from the Nuclear Energy Agency, nuclear share in total electricity generation decreased slightly from 2001 to 2002, and is projected to decrease even more in 2005 and 2010, going from 24.2% of total supply in 2001 to 22% in 2010. Yet generating capacity at existing plants has increased, and is expected to increase by 8% in 2010. At the end of 2002, there were 362 nuclear units in operation in OECD countries, and seven units under construction. ■



New publications, September - November 2003

All publications available in paper and electronic book format. This is a selected list. For more titles and overviews in different languages, please consult www.oecd.org/bookshop

AGRICULTURE AND FOOD

Multifunctionality: The Policy Implications
ISBN 9264104518
106p
€30 \$35 £20 ¥3,800 MXN350

Agriculture, Trade and the Environment: The Pig Sector
ISBN 926410416X
186p, 29 tables, 31 graphics
€47 \$54 £32 ¥6,000 MXN550
See review.

Agricultural and Rural Development Policies in the Baltic Countries
ISBN 9264104283
267p, 53 tables, 104 graphics
€50 \$58 £34 ¥6,400 MXN580

Mammalian Embryo Genomics
ISBN 9264104267
121p
€30 \$35 £20 ¥3,800 MXN350
As part of the OECD's work on biological resource management in agriculture, the proceedings of the first international meeting on mammalian embryo genomics, in 2002.

DEVELOPMENT AND AID

Attracting International Investment for Development
ISBN 9264101934
200p
€35 \$35 £22 ¥4,300 MXN360

What lessons can be drawn from various experiences across the world for attracting foreign direct investment, including strategies based on tax and other incentives? How can multinational enterprises contribute to promoting the developmental benefits of FDI? Are there effective ways to achieve synergies between FDI and official development aid in leveraging private investment for development projects in less developed countries?

Asia and Europe: Services Liberalisation
ISBN 9264103384
233p, 53 tables
€50 \$58 £34 ¥6,400 MXN580

ECONOMICS

OECD Economic Outlook No. 74
OECD Code 122003741P1
€61 \$61 £39 ¥7,500 MXN630

The World Economy: Historical Statistics
ISBN 9264104127
275p, 168 tables
€21 \$24 £14 ¥2,700 MXN240

OECD ECONOMIC SURVEYS
Each survey: €35 \$35 £22 ¥4,300 MXN360

Canada
ISBN 9264104356
127p, 38 tables, 49 graphics
Special feature: Migration

Luxembourg
ISBN 9264104399
100p, 17 tables, 36 graphics
Special feature: Migration

Austria
ISBN 9264018964
120p, 23 tables, 26 graphics
Special feature: Competition

Euro Area
ISBN 9264103929
173p, 38 tables, 42 graphics
Special feature: Product market competition

EDUCATION

Education Policy Analysis: 2003 Edition
ISBN 9264104550
116p, 24 tables, 18 graphics
Prices forthcoming.

Education at a Glance: OECD Indicators
ISBN 9264102337
452p, 80 tables, 70 graphics
€49 \$56 £33 ¥6,300 MXN570
The data underlying these indicators are accessible at: www.oecd.org/edu/eag2003

Student Engagement at School: A Sense of Belonging and Participation, Results from PISA 2000
ISBN 9264018921
82p, 14 tables, 10 graphics
€21 \$24 £14 ¥2,700 MXN245
How widespread is student disaffection with school in different education systems? What policies and practices are most effective in fostering students' sense of belonging and participation in school?

Learners for Life: Student Approaches to Learning
ISBN 9264103902
136p
€21 \$24 £14 ¥2,700 MXN240

Watch out for these forthcoming OECD publications

- OECD Economic Outlook No. 74 (November 2003)
- OECD Economic Survey: Japan (November 2003)
- The World Economy: Historical Statistics, by A. Maddison (October 2003)
- Education Policy Analysis (November 2003)
- Implementing the OECD Anti-Bribery Convention: Country Reviews (December 2003)
- Science, Technology and Industry: Scoreboard 2003 (October 2003)

Disability in Higher Education
ISBN 9264105050
119p, 16 tables
Prices forthcoming.

EMPLOYMENT AND SOCIAL ISSUES

OECD Employment Outlook 2003: Towards More and Better Jobs
ISBN 926410061X
346p, 55 tables, 31 graphics
€65 \$75 £44 ¥8,300 MXN755
This edition of the OECD Employment Outlook provides the analytical background for the September 2003 meeting of OECD Employment and Labour Ministers.

Asset Building and the Escape from Poverty: An Introduction to a New Welfare Policy Debate
ISBN 9264104720
45p
Prices forthcoming.
See review.

Combating Child Labour: A Review of Policies
ISBN 9264102930
127p, 23 tables
€25 \$29 £17 ¥3,200 MXN290
See review.

Health at a Glance: OECD Indicators 2003
ISBN 9264104046
140p, 50 tables, 120 graphics
€23 \$26 £15 ¥2,900 MXN270
The latest comparable data and trends concerning health status and risks, the activity and resources of health care systems, as well as health expenditure and financing across OECD countries.

Babies and Bosses – Reconciling Work and Family Life, Vol. 2: Austria, Ireland and Japan
ISBN 9264104186
168p, 54 tables, 35 graphics
€29 \$33 £19 ¥3,700 MXN340
See review.

ENERGY

World Energy Investment Outlook 2003
ISBN 9264019065
450p
€150 \$150 £101 ¥19,200 MXN1,740
Comprehensive data and in-depth analysis through 2030, including quantification of the investment needed for each fuel – oil, gas, electricity, coal and renewables; plus analysis of the investment implications of a range of alternative scenarios and policy options, including restricted investment in Middle East oil production capacity, impact of environmental policies on electricity investment, regional gas scenarios, global electricity access and carbon sequestration technologies.

The Power to Choose: Demand Response in Liberalised Electricity Markets
ISBN 9264105034
132p
€75 \$75 £50 ¥9,600 MXN870
See review.

Decommissioning Nuclear Power Plants: Policies, Strategies and Costs
ISBN 9264104313
108p
€40 \$46 £27 ¥5,100 MXN465

Nuclear Energy Today

ISBN 9264103287
114p, 12 tables, 40 graphics
€21 \$24 £14 ¥2,700 MXN245

CO₂ Emissions from Fuel Combustion: 1972/2001

ISBN 9264102256
€150 \$150 £101 ¥19,200 MXN1,740

Energy Policies: Japan

ISBN 9264014748
140p
€75 \$75 £50 ¥9,600 MXN870

ENVIRONMENT**The Environmental Performance of Public Procurement: Issues of Policy Coherence**

ISBN 9264101551
222p, 24 tables
€45 \$52 £29 ¥5,500 MXN460
This book reviews the potential economic efficiency and environmental effectiveness of "Greener Public Purchasing" programmes and policies.

English-Russian glossary of terms used in environmental enforcement and compliance promotion

ISBN 9264101764
110p
Free publication, available at: [www.oecd.org/env/Publications & Documents](http://www.oecd.org/env/Publications%20and%20Documents).

OECD Environmental Performance Reviews**Austria**

ISBN 9264018883
151p, 24 tables, 18 graphics
€37 \$37 £24 ¥4,550 MXN380

Mexico

ISBN 9264104992
177p, 41 tables, 19 graphics
€37 \$37 £24 ¥4,550 MXN380

FINANCIAL AND FISCAL AFFAIRS**International Investment Perspectives**

ISBN 9264103600
160p, 20 tables
€40 \$46 £27 ¥5,100 MXN465

Insurance and Expanding Systemic Risks

ISBN 9264102892
264p
€50 \$58 £34 ¥6,400 MXN580

Implementing the OECD Anti-Bribery Convention: Country Reviews

ISBN 9264101136
303p
€375 \$431 £252 ¥47,900 MXN4,360

Caribbean Rim Investment Initiative: Business Environment Reports for Costa Rica, Dominican Republic and Jamaica

ISBN 9264105093
154p, 45 tables
€35 \$40 £25 ¥4,800 MXN420

Revenue Statistics 1965/2002

ISBN 9264104798
300p, 200 tables
€84 \$97 £56 ¥10,700 MXN980

Financial Market Trends No. 85

OECD Code 272003021P1
150p, 15 graphics
By subscription only.

GOVERNANCE**Managing Conflict of Interest in the Public Service: OECD Guidelines and Overview**

ISBN 9264104895
180p, 5 tables, 12 graphics
€40 \$46 £27 ¥5,100 MXN460
The OECD's Guidelines for Managing Conflict of Interest in the Public Service comprise the first international standard to help governments deal effectively with conflict of interest matters. This report sets out comprehensive examples of good practice, innovative solutions and general trends, based on selected case studies.

Governance of Public Research: Toward Better Practices

ISBN 9264103740
185p, 26 graphics
€40 \$46 £27 ¥5,100 MXN465

INDUSTRY, SCIENCE AND INNOVATION**Science, Technology and Industry: Scoreboard 2003**

ISBN 9264103643
195p, 210 graphics
€49 \$56 £33 ¥6,300 MXN570
How far have OECD countries advanced in their move to a knowledge-based economy? Which new technologies are growing in importance? How are these trends affecting the global interaction of economies, in trade and investment as well as science and technology?

STATISTICS**OECD in Figures: The OECD Observer**

ISBN 926419973X
96p, 70 tables, 14 graphics
€15 \$17 £10 ¥1,750 MXN170
OECD in Figures is an original, simple to use, pocket data book, with key data on OECD countries, from economic growth and employment to education and migration. Comparable tables on the environment, science and public

finances. Plus a selection of graphs, giving snapshots on subjects such as GDP per capita, spending on research and development, investment flows, development aid and health spending.

Labour Force Statistics 1982-2002

ISBN 9264104593
428p, 170 tables
€110 \$127 £74 ¥14,000 MXN1,280

International Direct Investment Statistics Yearbook: 2002 Edition

ISBN 9264104763
CD-ROM
€150 \$173 £101 ¥19,200 MXN1,740

Measuring Knowledge Management in the Business Sector: First Steps

ISBN 9264100261
270p, 40 tables, 30 graphics
€40 \$40 £26 ¥4,900 MXN410
Co-edited with Statistics Canada.

SUSTAINABLE DEVELOPMENT**Longer Term Energy and Environment Scenarios**

ISBN 9264019049
160p
€75 \$75 £50 ¥9,600 MXN870

Renewables Information 2003

ISBN 9264102272
160p
Free publication.
The International Energy Agency's annual publication of data features an analysis of renewable and waste energy in OECD and non-OECD countries. It covers principles and definitions, and includes notes on energy sources, country notes, geographical coverage, as well as conversion tables.

Implementing Sustainable Urban Travel Policies: National Reviews

ISBN 9282103056
300p, 52 tables, 33 graphics
€65 \$75 £44 ¥8,300 MXN755

TRADE**Statistics on International Trade in Services: Partner Country Data – 2003 Edition**

ISBN 926410402X
260p, 150 tables
€65 \$75 £44 ¥8,300 MXN755

Regionalism and the Multilateral Trading System

ISBN 9264101365
172p
€35 \$38 £23 ¥4,500 MXN400

Trade and Competition: From Doha to Cancun

ISBN 9264102787
72p
€25 \$29 £16 ¥3,100 MXN260

TRANSPORT**Low-Emission Vehicles: Strategies for the Implementation of Clean and Fuel-Efficient Vehicles**

ISBN 926410495X
189p, 55 tables, 35 graphics
Prices forthcoming.

Reforming Transport Taxes

ISBN 928210317X
200p, 146 tables, 51 graphics
Prices forthcoming.

Fifty Years of Transport Policy: Successes, Failures and New Challenges

ISBN 9282103137
113p, 23 tables
€25 \$29 £18 ¥3,400 MXN300
Benchmark publication by the ECMT includes chapters on: rail policy and rail subsidies; European transport policy and the position of inland navigation; competition vs. regulation in transport; trends in transport investment funding; and transport policy development in Europe, 1950-2020.

Latest OECD Policy Briefs

Free online at www.oecd.org
Click Documentation (top of screen)

- Economic briefs on Surveys of the Euro area and Canada
- Civil Society and the OECD
- Service Providers on the Move – Labour Mobility and the WTO General Agreement on Trade in Services
- Trade Capacity Building: Critical for Development
- Opening up Trade in Services – Opportunities and Gains for Developing Countries
- Trade Facilitation: The Benefits of Simpler, More Transparent Border Procedures
- Regionalism and the Multilateral Trading System – The Role of Regional Trade Agreements
- Policy Coherence: Vital for Global Development
- The Doha Development Agenda: Tariffs and Trade
- Environmentally Sustainable Buildings: Challenges and Policies

Being a pig

Agriculture, Trade and the Environment: The Pig Sector

Pigs have their fans and their detractors. Winston Churchill was fond of them because, while dogs looked up to us and cats looked down, pigs treated us as equals. But in *Animal Farm*, George Orwell saw them as clever, manipulative, beasts that were simply more equal than every one else. Pigs also divide opinion on another question: if, as is widely claimed, pigs are naturally clean, odourless, animals, how come they are at the root of some quite intractable environmental problems? *Agriculture, Trade and the Environment: The Pig Sector*, which examines how trade policies in the pig industry affect the environment, has some of the answers.

The biggest environmental threat comes from pig manure. A sow producing 22 pigs for slaughter at 90 kg "liveweight" can excrete around 100 kg of nitrogen and 18-20 kg of phosphorous per year. How this manure is handled and disposed of is a crucial environmental question. Farms can use animal manure as fertiliser, but specialised pig farms simply produce too much of it. Disposal of pig manure is especially problematic in the population-dense countries of the Netherlands and Belgium, as well as in

Denmark, Japan and Korea, among others. In the US, a number of important pig-producing counties have manure nitrogen production levels that exceed the assimilative capacity of all the county's crop and pasture land. Impacts on the environment from pig manure include the degradation of aquatic ecosystems, and air pollution from odours and ammonia emissions, as well as impacts on soil quality and biodiversity.

Regulations can also help limit the environmental impact of pig production. But while regulations on manure management have got stronger, differences between countries have not yet had any significant impact on trade patterns. This is where trade policy comes in. Those countries with the highest levels of support payment for pig meat, mostly through tariffs and export subsidies, are also those with the greatest risk of nitrogen water pollution from pig production. However, *Agriculture, Trade and the Environment: The Pig Sector* shows that further trade liberalisation is likely to strengthen market trends in the pig sector, slowing production in OECD European and Asian countries where the environmental risk is the greatest. Maybe pigs can be outsmarted after all. ■

ORDER FORM

Subscribe to the **OBSERVER**

Yes, please enter my subscription for six issues plus my free *OECD in Figures* annual supplement, worth €15.

- €50
- US\$50
- ¥5,900
- £31

Subscription will commence with the next available issue. Subscribers will be provided with the English language edition unless otherwise indicated.

- English language edition (0100001P) ISSN 0029-7054
- French language edition (0100002P) ISSN 0304-3398

You can order your BOOKS either online at www.oecd.org/bookshop/ or by mailing your choices from the New Publications titles in this section to one of the addresses below.

Where do we deliver?

Name.....
Organisation..... Position held..... Country.....
Address..... Telephone.....
..... Fax.....
Postcode..... City..... E-mail.....

Payment details

- Cheque/money order enclosed (payable to OECD)
- Please charge my VISA/MasterCard/American Express

TOTAL amount due:

Card number..... Card Expiry Date.....

Signature.....

Date.....

Where to send your mail or fax order

For customers in Austria,
Germany and Switzerland
OECD BONN Centre
August-Bebel-Allee 6
D-53175 BONN, GERMANY
Tel: (49-228) 959 1215
Fax: (49-228) 959 1218
E-mail: bonn.contact@oecd.org
Internet: www.oecd.org/
deutschland

For customers in Asia
OECD TOKYO Centre
3rd Floor, Nippon Press Ctr. Bldg
2-2-1 Uchisaiwaicho, Chiyoda-ku
TOKYO 100-0011, JAPAN
Tel: (81-3) 5532 0021
Fax: (81-3) 5532 0035
E-mail: center@oecdtokyo.org
Internet: www.oecdtokyo.org

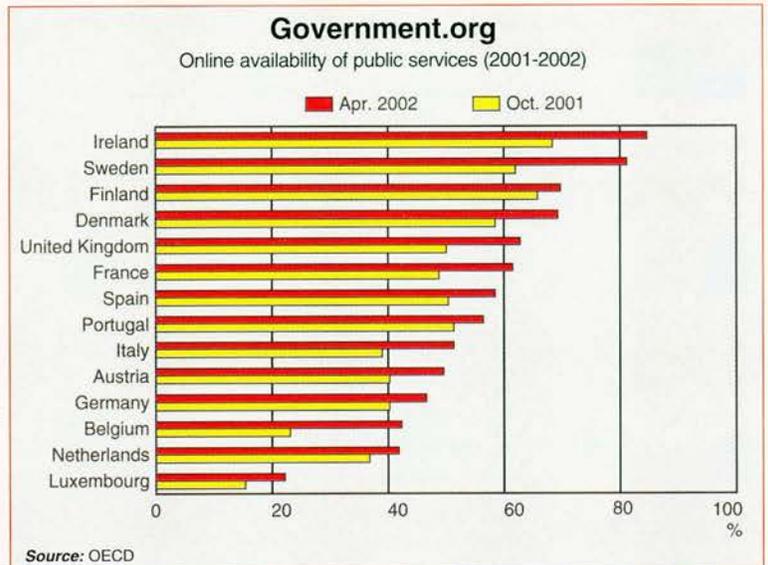
For customers in Latin America
OECD MEXICO Centre
Av. Presidente Mazaryk 526
Colonia: Polanco C. P.11560
MEXICO D.F., MEXICO
Tel: (52-55) 5281 3810
Fax: (52-55) 5280 0480
E-mail: mexico.contact@oecd.org
Internet: rtm.net.mx/ocde/

For customers in the United States
OECD WASHINGTON Center
2001 L Street N.W.,
Suite 650, WASHINGTON D.C.,
20036-4922 USA
Toll free: (1-800) 456 6323
Tel: (1-202) 785 6323
Fax: (1-202) 785 0350
E-mail: washington.contact@oecd.org
Internet: www.oecdwash.org

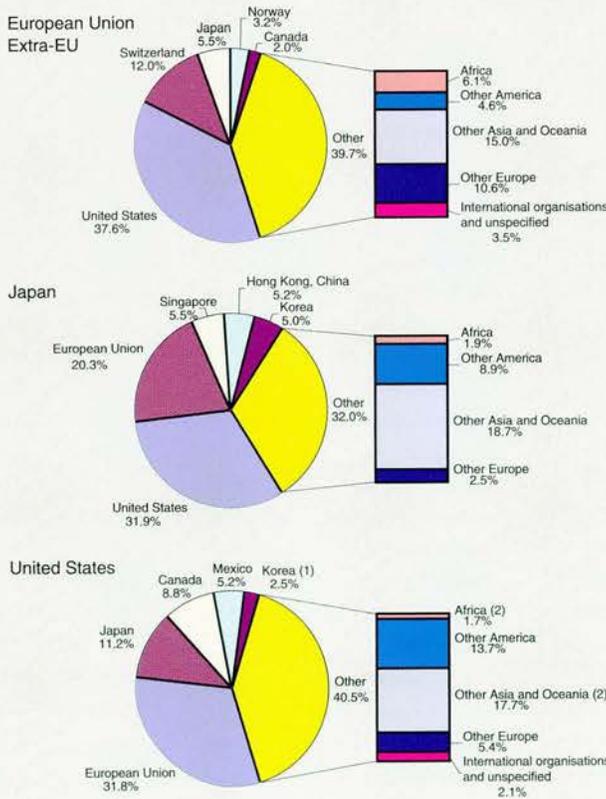
For customers in the rest of the world
OECD c/o Turpin Distribution
Services Ltd.
PO Box 22, Blackhorse Road
LETCHEWORTH SG6 1YT, UK
Fax: (44) 1462 480 947
E-mail: books@turpinltd.com
E-mail: subscriptions@turpinltd.com
Online orders (secure payment with
credit card) www.oecd.org/bookshop/

The e in e-government

E-government can improve efficiency, increase citizen involvement and help achieve reform – but it is not enough just to open up a website and wait for visitors to start flooding in. Ireland tops the list of OECD countries when it comes to providing government services online, for instance, but actually using online services is apparently far more popular in Sweden. The government record on e-government so far is impressive in terms of creating websites, sophisticated services and portals, but that is only the first stage, according to a new OECD study, *The E-government Imperative*. Now governments need to turn their attention to developing their online infrastructure, back office arrangements and more complex services, not to mention keeping up with new technological developments. Whether it is Ireland's commitment to making all key public services deliverable via a single contact point by 2005, or Sweden's Wilma (Web-based Information System Linking Migration Authorities) system for treating migration cases, e-government is clearly e-work in progress. ■



Services exports trading partners, 2001

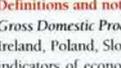


Are you being served?

Services trade is an increasingly important part of world trade and is under the spotlight in the WTO talks at Cancun in September. OECD countries account for the bulk of world services trade by destination – some three-quarters in fact – according to a new OECD publication, *OECD Statistics on International Trade in Services: Partner Country Data*. Services exports, covering things like transport services, travel, other commercial services and government services, between OECD countries accounted for just over 80% of total OECD exports, with the EU the largest destination region at 46%, followed by NAFTA with 21% of service exports. The OECD Asia and Oceania countries mainly trade with Asia and Oceania (over 3% of world exports) and American (3% of world exports) countries. When it comes to services trade by individual OECD countries, in the majority of cases the two main partners in 2001 for exports and imports of services were the European Union and the United States. But there are several exceptions. Finland's main export partners, for example, are the EU and Russia, while for New Zealand the main partners are the US and Australia, and for Korea the main partners are the US and Japan. The EU's main services trading partners are the US and Switzerland, while for the US they are the EU followed by Japan for exports and by Canada for imports. ■

- For more information on OECD work on Statistics of International Trade in Services go to www.oecd.org/std/trade-services

			% change from:				level:	
			previous period	previous year			current period	same period last year
 Australia	Gross domestic product	Q1 03	0.7	2.9	Current balance	Q1 03	-5.99	-2.91
	Leading indicator	Jun 03	-0.1	1.2	Unemployment rate	Jul 03	6.20	6.20
	Consumer price index	Q2 03	0.0	2.7	Interest rate	Jul 03	4.72	4.98
 Austria	Gross domestic product	Q1 03	0.1	0.4	Current balance	Q1 03	-0.14	0.01
	Leading indicator	Jul 03	1.0	4.2	Unemployment rate	Jul 03	4.50	4.30
	Consumer price index	Jul 03	-0.1	1.1	Interest rate		*	*
 Belgium	Gross domestic product	Q2 03	-0.1	0.8	Current balance	Q1 03	2.30	2.82
	Leading indicator	Jul 03	0.9	-3.1	Unemployment rate	Jul 03	8.10	7.40
	Consumer price index	Aug 03	0.3	1.8	Interest rate		*	*
 Canada	Gross domestic product	Q2 03	-0.1	1.6	Current balance	Q1 03	5.33	4.25
	Leading indicator	Jul 03	1.0	1.7	Unemployment rate	Jul 03	7.80	7.60
	Consumer price index	Jul 03	0.1	2.2	Interest rate	Jul 03	2.99	2.85
 Czech Republic	Gross domestic product	Q1 03	-2.2	2.2	Current balance	Q1 03	-0.93	-1.02
	Leading indicator		..	..	Unemployment rate	Jul 03	6.90	7.30
	Consumer price index	Jul 03	0.1	-0.1	Interest rate	Aug 03	2.06	3.06
 Denmark	Gross domestic product	Q2 03	-0.5	-0.5	Current balance	Q2 03	2.20	1.30
	Leading indicator	Jul 03	1.3	3.0	Unemployment rate	Jul 03	5.30	4.60
	Consumer price index	Jul 03	-0.6	1.9	Interest rate	Aug 03	2.14	3.51
 Finland	Gross domestic product	Q1 03	-1.2	1.3	Current balance	Jun 03	0.89	0.63
	Leading indicator	Jul 03	0.7	0.2	Unemployment rate	Jul 03	9.30	9.10
	Consumer price index	Jul 03	-0.5	0.5	Interest rate		*	*
 France	Gross domestic product	Q2 03	-0.3	0.0	Current balance	Jun 03	1.55	5.36
	Leading indicator	Jul 03	0.3	0.0	Unemployment rate	Jul 03	9.40	8.80
	Consumer price index	Jul 03	-0.1	1.9	Interest rate		*	*
 Germany	Gross domestic product	Q2 03	-0.1	-0.2	Current balance	Q2 03	7.63	9.01
	Leading indicator	Jul 03	1.2	2.7	Unemployment rate	Jul 03	9.40	8.60
	Consumer price index	Jul 03	0.2	0.9	Interest rate		*	*
 Greece	Gross domestic product	2001	..	4.1	Current balance	Jun 03	-0.84	-0.46
	Leading indicator	Jun 03	0.9	0.2	Unemployment rate	Mar 03	9.40	10.40
	Consumer price index	Jul 03	-1.9	3.7	Interest rate		*	*
 Hungary	Gross domestic product	Q1 03	-8.3	2.7	Current balance	Jun 03	-0.46	-0.13
	Leading indicator		..	..	Unemployment rate	Jul 03	5.80	5.60
	Consumer price index	Jul 03	0.3	4.7	Interest rate	Jul 03	9.44	9.21
 Iceland	Gross domestic product	Q1 03	-4.8	3.3	Current balance	Q1 03	0.00	-0.01
	Leading indicator		..	..	Unemployment rate	Jun 03	3.50	2.60
	Consumer price index	Aug 03	-0.1	2.0	Interest rate	Jul 03	5.10	8.23
 Ireland	Gross domestic product	Q1 03	-3.7	0.5	Current balance	Q1 03	-1.12	0.04
	Leading indicator	Jul 03	3.1	12.3	Unemployment rate	Jul 03	4.70	4.40
	Consumer price index	Jul 03	-0.8	3.1	Interest rate		*	*
 Italy	Gross domestic product	Q2 03	-0.1	0.3	Current balance	Mar 03	-1.89	0.27
	Leading indicator	Jul 03	-1.4	-2.2	Unemployment rate	Apr 03	8.70	9.00
	Consumer price index	Aug 03	0.2	2.8	Interest rate		*	*
 Japan	Gross domestic product	Q2 03	0.6	2.1	Current balance	Jun 03	9.45	10.44
	Leading indicator	Jul 03	2.0	3.6	Unemployment rate	Jul 03	5.30	5.40
	Consumer price index	Jul 03	-0.2	-0.2	Interest rate	Jul 03	0.04	0.04
 Korea	Gross domestic product	Q2 03	-0.7	1.8	Current balance	Jun 03	1.10	0.04
	Leading indicator		..	..	Unemployment rate	Jul 03	3.60	3.00
	Consumer price index	Aug 03	0.5	3.0	Interest rate	Jul 03	4.20	4.90

			% change from:				level:	
			previous period	previous year			current period	same period last year
	Gross domestic product	2001	..	1.0	Current balance	Q1 03	0.69	0.64
	Leading indicator	Jul 03	1.9	-1.9	Unemployment rate	Jun 03	3.70	2.80
	Consumer price index	Jul 03	-0.9	1.6	Interest rate		*	*
	Gross domestic product	Q2 03	1.4	1.6	Current balance	Q1 03	-2.29	-3.42
	Leading indicator	Jul 03	1.8	9.5	Unemployment rate	Jun 03	3.40	2.50
	Consumer price index	Jul 03	0.1	4.1	Interest rate	Aug 03	5.11	7.07
	Gross domestic product	Q2 03	-0.5	-0.9	Current balance	Q1 03	0.64	2.76
	Leading indicator	Jul 03	0.4	-0.5	Unemployment rate	Jun 03	4.20	2.80
	Consumer price index		..	..	Interest rate		*	*
	Gross domestic product	Q1 03	0.8	3.6	Current balance	Q1 03	-0.50	-0.27
	Leading indicator		..	..	Unemployment rate	Q1 03	5.00	5.30
	Consumer price index	Q2 03	0.0	1.5	Interest rate	Aug 03	5.11	5.88
	Gross domestic product	Q1 03	0.3	0.6	Current balance	Q2 03	6.19	6.41
	Leading indicator	Jul 03	0.9	4.4	Unemployment rate	May 03	4.60	3.80
	Consumer price index	Jul 03	-0.4	1.5	Interest rate	Aug 03	3.14	7.26
	Gross domestic product	Q2 02	6.1	1.0	Current balance	May 03	-0.39	-0.61
	Leading indicator		..	..	Unemployment rate	Jul 03	20.00	19.90
	Consumer price index	Jul 03	-0.4	0.7	Interest rate	Jul 03	5.02	8.53
	Gross domestic product	Q1 03	0.1	-1.2	Current balance	Q2 03	-1.95	-1.90
	Leading indicator	Jul 03	-0.2	-2.8	Unemployment rate	Jul 03	6.90	5.00
	Consumer price index	Jul 03	-0.3	2.9	Interest rate		*	*
	Gross domestic product	Q1 03	-4.8	4.1	Current balance	Q1 03	-0.14	-0.36
	Leading indicator		..	..	Unemployment rate	Jul 03	16.10	18.60
	Consumer price index	Jul 03	-0.1	8.7	Interest rate	Jul 03	7.15	9.48
	Gross domestic product	Q1 03	0.5	2.1	Current balance	May 03	-1.62	-0.85
	Leading indicator	Jul 03	-0.4	6.2	Unemployment rate	Jul 03	11.40	11.30
	Consumer price index	Jul 03	-0.6	2.8	Interest rate		*	*
	Gross domestic product	Q2 03	0.3	1.5	Current balance	Dec 02	0.00	0.85
	Leading indicator	Jun 03	1.1	6.4	Unemployment rate	Jul 03	5.40	4.90
	Consumer price index	Jul 03	-0.3	1.7	Interest rate	Aug 03	2.71	4.19
	Gross domestic product	Q1 03	-0.3	0.0	Current balance	Q1 03	7.39	6.77
	Leading indicator	Jul 03	0.9	4.9	Unemployment rate	Q2 03	3.90	3.10
	Consumer price index	Aug 03	0.2	0.5	Interest rate	Jul 03	0.19	0.71
	Gross domestic product	Q1 03	-15.0	8.1	Current balance	Q2 03	-1.65	-0.58
	Leading indicator	Jul 03	0.8	4.7	Unemployment rate	Q2 03	10.00	9.30
	Consumer price index	Jul 03	-0.4	27.4	Interest rate	Aug 03	32.43	46.16
	Gross domestic product	Q2 03	0.3	1.8	Current balance	Q1 03	3.91	-4.51
	Leading indicator	Jul 03	0.5	-1.5	Unemployment rate	May 03	4.90	5.10
	Consumer price index	Jul 03	0.0	3.1	Interest rate	Aug 03	3.45	3.92
	Gross domestic product	Q2 03	0.8	2.5	Current balance	Q1 03	-136.11	-106.73
	Leading indicator	Jul 03	1.2	4.3	Unemployment rate	Jul 03	6.20	5.80
	Consumer price index	Jul 03	0.1	2.1	Interest rate	Aug 03	1.08	1.73
	Gross domestic product	Q1 03	0.0	0.8	Current balance	Jun 03	2.92	5.45
	Leading indicator	Jul 03	0.3	1.3	Unemployment rate	Jul 03	8.90	8.40
	Consumer price index	Jul 03	-0.1	2.0	Interest rate	Aug 03	2.14	3.35

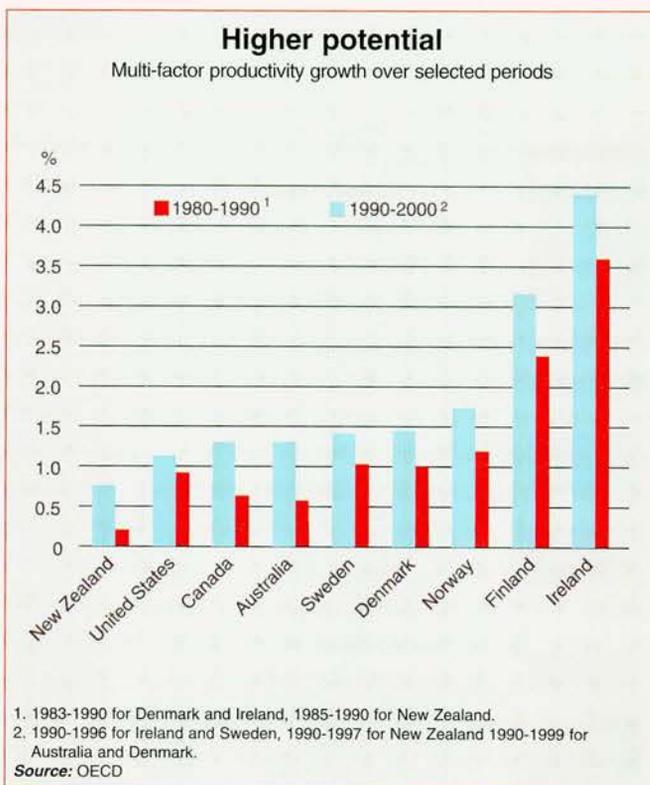
Definitions and notes

Gross Domestic Product: Volume series; seasonally adjusted except for Czech Republic, Hungary, Iceland, Ireland, Poland, Slovak Republic and Turkey; **Leading Indicators:** A composite indicator based on other indicators of economic activity (qualitative opinions on production or employment, housing permits, financial or monetary series, 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:** \$US billion; seasonally adjusted except for Greece and Ireland; **Unemployment Rate:** % of civilian labour force – standardised unemployment rate; national definitions for Iceland, Korea, Mexico and Turkey; seasonally adjusted apart from Turkey; **Interest Rate:** Three months, except for Turkey (overnight interbank rate). * refer to Euro zone. ..not available.
Source: *Main Economic Indicators*, September 2003

Special relationship

Improving productivity is a goal in any business or economy, but a real difference in performance comes from the increase in productivity that comes from combining labour and capital. This relationship came into focus during the new economy boom as economists tried to explain how new technology and human capital worked together to lift growth potential to higher levels. All OECD countries eased anti-competition regulation during the 1980s and 1990s, but those who went further than others, like the US, Australia and Finland, also benefited from an acceleration in so-called multi-factor productivity (MFP, also called total factor productivity) during the 1990s. The contribution of new firms to productivity growth played a role, and this was stronger in skill-intensive industries undergoing rapid change in technology, whether those producing or using information technology. As the latest *OECD Economic Outlook* explains, traditional policies, like lowering entry barriers to product markets and improving the regulatory framework can enhance competition and raise MFP too. In particular, levels of product market competition, research and development, and labour market regulation and institutions can have an important influence. In some euro area countries, for instance, the removal of commercial and administrative barriers might increase MFP growth in manufacturing by 0.1 to 0.2 percentage points over time. ■

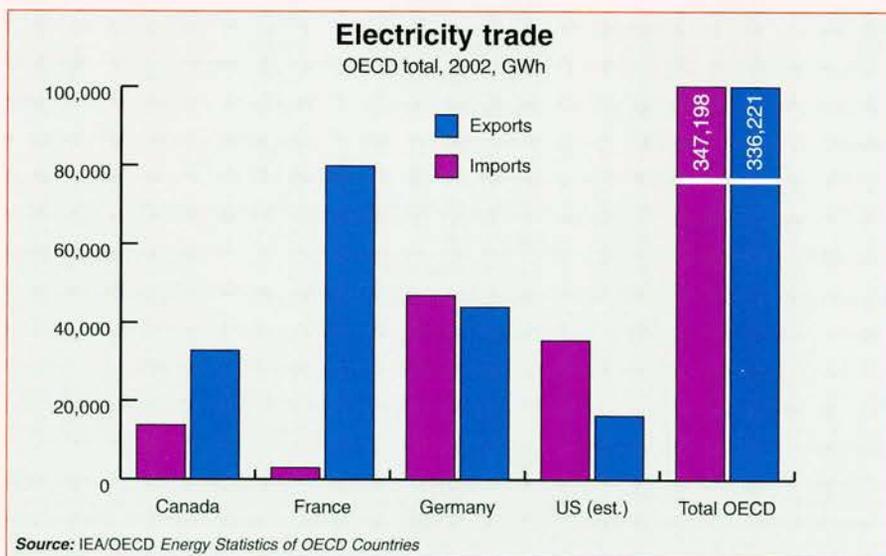


Energy borders

The light from the reading lamp in your living room demonstrates home delivery at its most convenient – but did you know that the electricity to power the lamp may have come from another country? Most of

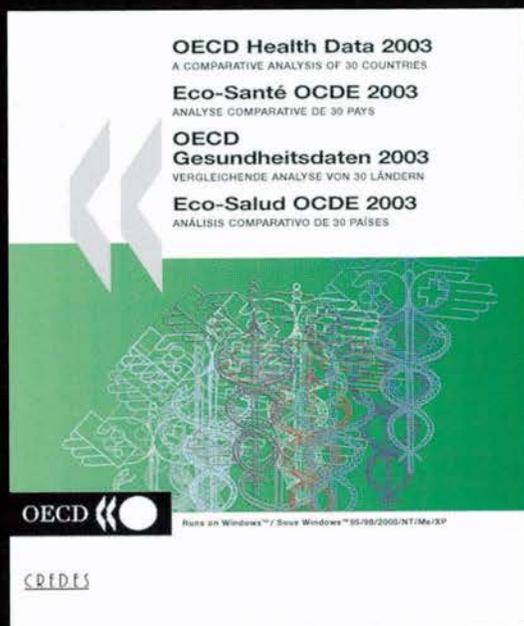
the time we do not even think about the complex networks that keep the lights and heating going in a cold snap or the air-conditioning in a heat wave. It takes an event such as the massive power blackout

that affected more than 50 million people in the US and Canada in August to remind us. Yet, trade in electricity is big business, with OECD countries importing a total of 347 terawatt hours (TWh) and exporting 336 TWh in 2002, the latest issue of the International Energy Agency (IEA) *Electricity Information* found. European OECD countries and North America do a substantial amount of electricity trading, and it is on the rise. Electricity imports in North America grew by 2.7% between 1990 and 2001, while those in OECD Europe rose 3%, although this was slower than the average growth rates of 4.5% for North America and 6.9% in Europe between 1973 and 1990. And if OECD countries are net importers of electricity, to the tune of 11 TWh in 2002, non-OECD countries were net exporters, with 4.4 TWh. But non-OECD countries overall trade less electricity than the OECD, with exports of 158.3 TWh and imports of 153.9 TWh in 2002. ■



• For more information, visit www.iea.org

Take a healthy look at OECD publications



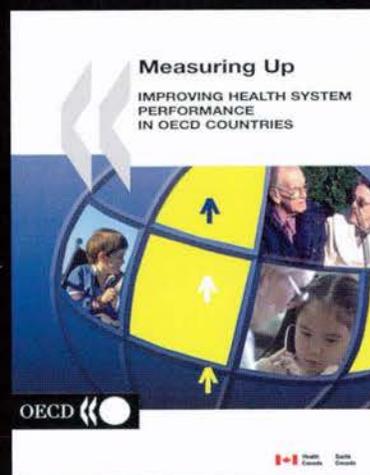
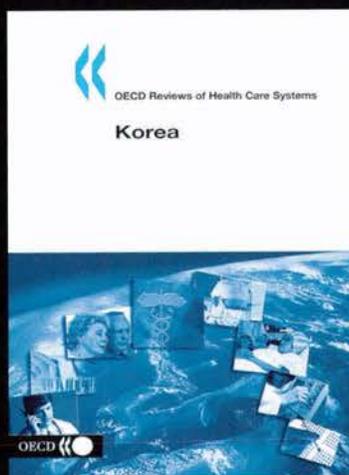
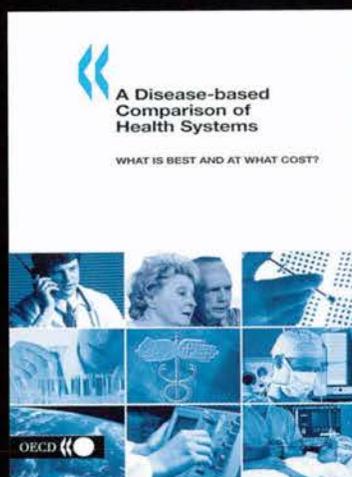
NEW

for 2003

available online via
www.sourceOECD.org

To purchase OECD publications on health,
please visit www.oecd.org/bookshop

Recent health publications



To be the first to know about new titles on health, sign up for OECDdirect, our
free e-mailing service, tailored to your needs. Visit www.oecd.org/OECDdirect

Contact: sales@oecd.org

Invest in Africa's farmers for long term economic growth



If farming is the basis for rural livelihoods, should it not be the starting point for building a prosperous rural economy and the only sound base for building food security for the poor?

Start from where people are and build on what they have.

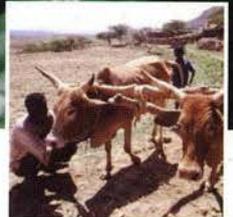
"My children have joined school. I have also started other business from the income I earn from my goats"

Mrs Kiros Demewoz , project beneficiary, Tigray, Ethiopia

FARM Africa
Making a lasting difference to Africa's families

Innovative solutions for Africa's rural problems.

9-10 Southampton Place, Bloomsbury, London WC1A 2EA
Telephone: +44(0) 20 7430 0440 Fax: +44(0) 20 7430 0460
email: farmafrika@farmafrika.org.uk website: www.farmafrika.org.uk
FARM-Africa is registered in the UK as a charity no. 326901 and as a 501(c)3 in the USA



WINNER OF THE 2000
NEWS INTERNATIONAL
NOT-FOR-PROFIT AWARD