


'Restoring full employment is feasible with sufficient political will and the right combination of international and national policies. There will be vast benefits from a renewed commitment by all nations to the objective of full employment.' Under this adagium the ILO recently published its World Employment 1995 report. The report intends to be the first in a new series of ILO reports that review employment issues from an international perspective.

Opposite to recent studies as the European Commission White Paper and the OECD Jobs Studies the ILO report attempts to discuss the persistent unemployment in the developed countries in combination with the employment crises in the transition economies of Central and Eastern Europe and the developing world. The major advantage of this approach is that it can be easily shown that the unemployment problems in these three global regions are interlinked through trade, foreign direct investment, financial flows, and migration flows. From this global view the report is a plea against the 'defeatist attitude' that full employment is unattainable and the 'isolationist solutions' to the employment problem that impede the integration of the global economy.

The three main parts of the report deal with the (debates on the) causes of the unemployment problems and the various policy options in the developing countries, the transition and the industrialized countries, successively. These three parts are preceded by a chapter that surveys the key aspects of the current globalization of the world economy and are followed by a final chapter that discusses the potential contribution of international policies to the reduction of global unemployment.

The key features of the system that ensured full employment in the industrialized countries and increasing prosperity for many developing countries in the 1950s and 1960s are more or less the backgrounds of the policy lines the ILO advocates. However, this does not mean that the report is directed towards the 'triumphant paradise lost' of that period. It is argued that for developing countries, transition economies as well as for industrialized countries a successful response to the globalization process is of strategic importance. This primarily means that each country should specialize in activities where it has a comparative advantage. However, this policy causes severe problems of adjustment with high social costs. Moreover, transitional unemployment can become persistent through hysteresis effects, whereas the social problems might feed protectionist sentiments.

Therefore 'positive adjustment policies' should be adopted in order to smooth the transfer of resources from declining to new activities in line with a country's competitive advantage. In particular labour retraining schemes are important in this respect. The industrialized countries should focus on the training of low-skilled workers as part of overall efforts to shift employment towards higher-productivity activities. For the transition econo-
mies of Central and Eastern Europe the ILO points at the critical importance of the emergence of employment services and the reactivation of enterprise-based training by a government-supported institutional framework for providing such training needs. In the developing countries more general investments in human capital which are often complementary to investments in physical capital could provide an additional stimulus to growth.

A major point made in the ILO report is that the enhancement of cooperative international action is an important part of the solution to current employment problems throughout the world. This tinbergen mission should create the basis for cooperative positive-sum policies. A number of policy lines are discussed. As policies inducing wage decreases will not bring the gains in international competitiveness if they are implemented in all countries these typically single country instruments should be abandoned. As the level of capacity utilization is generally low in most countries there should be a basis for coordinated expansionary policies. Moreover, a reform of the international monetary system should reduce the destabilizing effects of speculative financial flows on exchange and interest rates. Instruments as a taxation tax on financial flows should therefore be seriously considered. Since protectionist sentiments are often fed by perceptions that some countries obtain ‘unfair competition’ by violating basic labour standards, international action is required to safeguard against a competitive debozen of labour standards in order to improve shares in world trade. Finally, the report suggests two specific steps to bring current social problems and anxieties to the fore of the global agenda: (1) to include the ministers responsible for employment and social affairs in international deliberations on economic policy and (2) to consider closer cooperation between the ILO and the international agencies responsible for economic and financial policies.

My general impression is that the ILO report offers a valuable contribution to the public debate on economic and employment policies. Several discussions in economic literature on employment and labour market policy issues are suggested in a rather balanced way with a main orientation on the (international) market processes without falling back on a laissez-faire attitude. Interesting is in particular the discussion on the costs and the benefits of labour market regulation in which the often neglected benefits are highlighted. Obviously the argument for cooperative international action is a correct one which indeed is the major challenge for economic, financial and employment policymakers at the moment.

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In 1992 the Centraal Planbureau (CPB) (Central Planning Bureau) published a long-term study Scanning the Future, which had a time horizon of twenty-five years. In that study, the following questions are dealt with: ‘What are the driving forces behind the process of economic development?’ ‘How do we assess the current position of the various regions in the light of these driving forces?’ and ‘Which long-term trends stand out as the ones which