
Help Wanted:

More and Better Jobs in a Globalized Economy

Conference held on April 14-15, 2005 at the Carnegie Endowment for International Peace, 1779 Massachusetts Ave., NW, Washington, D.C.

Alongside renowned academics, the World Bank's Senior Vice-President François Bourguignon, the ILO's Director-General Juan Somavia, the Vice-Chancellor, University of Delhi Deepak Nayyar and U.S. Congressman Sherrod Brown discussed one of the most pressing issues facing political leaders around the world: How more and better jobs can be created under the conditions of a globalized world economy. Jointly organized by the Carnegie Council on Ethics and International Affairs, the Carnegie Endowment for International Peace, and the Global Fairness Initiative, and with the active participation by the ILO, the event in itself signified that employment is beginning to re-enter the global policy agenda with force. The clear message emerging from the discussion was that policies need to be made more coherent, and that employment needs to become an explicit objective. At times, this will mean moving beyond orthodoxies and dogmatic thinking in choosing tools to achieve good employment outcomes.

1. Globalization and the demand for decent employment

a) Employment as a key demand of people around the world

The insight that “more and better jobs” are a key demand of people around the world was the starting point for the discussion. **George Perkovich** (*Vice-President for Studies, Carnegie Endowment for International Peace*) made this assertion in his opening remarks, as did several members of the opening panel. According to Perkovich, employment is the single most important issue for most people. It is through the channel of job creation and destruction that globalization has a direct impact on people's lives. A similar argument was made by **Juan Somavia** (*Director-General, International Labour Office*) who stressed that employment is the most serious political issue the world is facing, and the most general political demand in all societies. Given that employment is also a source of dignity and peace, it is at the heart of politics and hence a key issue during elections. The success or failure to deliver work encompassing rights, dialogue and the freedom to organize thus affects people's beliefs in political and economic systems.

Sherrod Brown (*Committee on International Relations, United States House of Representatives*), himself an elected politician, explicitly agreed with Somavia's comments and reaffirmed that job creation should be at the heart of politics. The focus on jobs in the United States has however been lost as has the objective of wealth creation with equitable distribution. He also expanded on the issue of rights at work, arguing that people around the world demand labour standards whereas governments often fail

to provide these rights to their citizens. He recalled a conversation he had with a Malaysian government delegate during the 1998 WTO negotiations in Seattle. The delegate made the statement that “We don't want labour standards.” Asked if Malaysian workers wanted labour standards, the delegate replied, “Yes they do, but we don't want them.” For Brown, this illustrates that just because governments do not endorse labour standards, it does not follow that workers do not want them.

b) Does globalization deliver positive employment outcomes?

The panel members and the discussants of the second day were generally sceptical of whether globalization has thus far delivered more and better jobs around the world, and whether it is capable of doing so in the future. **Sherrod Brown** presented an illustrative example of



François Bourguignon, Deepak Nayyar, and Juan Somavia: Sharing thoughts on employment and globalization at the Carnegie Endowment. Photo: Carnegie Endowment.

workers in Mexico who found employment in export processing zones, so-called Maquiladoras, but could not themselves afford the products they made and still lived in shacks. Since these shacks were built from packing materials taken from the workplace, a walk through a shanty town provided ample evidence for the advent of globalization: based on the packaging the shacks were constructed from, one could easily tell for which multinational corporation a person worked. He contrasted this manifestation of poverty with the heavy investments the corporations had made into equipping modern factories with the latest technologies. During later discussions, **Rolph van der Hoeven** (*Senior Research Adviser, International Labour Office*) argued that in the past, globalization has been associated with rising informality, a claim supported by proxy data on non-agricultural self-employment. While delivering only modest growth benefits, capital account liberalization has led to several severe crises with rising unemployment. Presenting figures for countries such as Brazil, Mexico and Indonesia, all of which had gone through macro-economic crisis during the 1990s, he showed that unemployment rates peaked during the contraction, but stayed above their initial level when economies recovered. A further effect has been the erosion of the labour share in national income. This point was also made by **Ann Harrison** (*Professor, Department of Agricultural and Resource Economics, University of California at Berkeley and NBER*). According to her data, the Mexican example shows that an exchange rate crisis is harder for labour than for capital; it cuts labour's share in national income. More generally, the past three decades saw continuous decline in the labour share for the developing world. In contrast, the labour share in developed countries rose from 1970 to the mid-1980s, when the trend was reversed so that parts of the previous gains were lost. The only exception to this is the United States where the labour share has remained virtually constant over the past 30 years.

On a more positive note, **François Bourguignon** (*Chief Economist and Senior Vice-President, World Bank*) said that growth is central to creating more good jobs, and that by enhancing growth, globalization might be part of the solution rather than the problem. He argued that there are very few examples where growth comes without openness, but acknowledged that globalization does not necessarily deliver the results hoped for. The latter point was also stressed by **Sanjaya Lall** (*Professor of Development Economics, University of Oxford*) who warned that one cannot assume that globalization leads to greater

employment. In a similar vein, **Juan Somavia** contrasted the recent upturn in economic growth with the dismal record in employment creation. Based on this disconnect between growth and employment, Somavia noted that at the current employment elasticity of growth, economic growth alone will not solve the unemployment problem.

This point was expanded upon by **Deepak Nayyar** (*Vice-Chancellor, University of Delhi and Member of the World Commission on the Social Dimension of Globalization*). For the last 25 years, economic growth has not created employment even close to the needed measure. In developed, developing and transitional countries alike, employment elasticities dropped and were close to zero in manufacturing and agriculture. As a residual, employment was only created in the informal services sector. He argued that the political emphasis on growth and efficiency is in part responsible for the shift in focus away from employment. However, on its current path, globalization is politically unsustainable. While he did not attribute the stark contrasts between wealth and poverty to globalization, he argued that they are accentuated by globalization. Correctives to these

are imperative, and development has to bring improvements to the living conditions of people. People no longer accept austerity now in exchange for the promise of prosperity later.

c) Making employment creation a policy goal

Combining the insight that globalization does not by itself lead to greater job creation and can put employment at risk under some circumstances with the earlier point that decent jobs are a key demand of people around the world, several seminar participants drew the conclusion that employment should be made an explicit policy goal. Among them was **Juan Somavia** who demanded that job creation be made an objective, rather than treating it as a residual result of other policies. One needs to confront the question of how to increase the employment richness of growth. Similarly, **Deepak Nayyar** called for employment to be made an objective of policies at the national and international level. It was **François Bourguignon** who pointed out that employment is an objective closely linked to the broader goal of poverty eradication. But since a job alone is not a sufficient pre-condition for a good living, what is needed is indeed "more better jobs" (and in so far the seminar title, referring to "more and better jobs", is misleading). He reminded the audience that the labour supply tends to be absorbed by the econ-



Deepak Nayyar (Vice-Chancellor, University of Delhi and Member of the World Commission on the Social Dimension of Globalization): Disappointing employment records are "not an accident", but the consequence of the separation between economic and social policies.

Photo: ILO Photo Library.

omy, and that conventional employment statistics do not allow for a separation of good jobs from bad ones.

Opening the discussion on the second day, **Gerry Rodgers** (*Director, Policy Integration Department, International Labour Office*) pointed at the awkward contradiction that employment seems to be on top of everyone's priority list, yet it is largely absent from the global policy agenda – where it belongs since employment is the channel through which globalization impacts people's lives most directly (taking up a point made earlier by **George Perkovich** and others). As **Rolph van der Hoeven** highlighted, employment does not play a role in either the Millennium Development Goals (MDGs) or most Poverty Reduction Strategy Papers (PRSPs). According to **Sandra Polanski** (*Director and Senior Associate, Trade, Equity and Development Project, Carnegie Endowment for International Peace*), the absence of employment from the MDGs makes it harder to mobilize for jobs.

But job creation is often absent from national policy agendas as well, as **Sherrod Brown** noted earlier with respect to the United States. Reporting on the example of South Africa, **Colin Bradford** (*Fellow, Economic Studies, The Brookings Institution*) said that he was surprised to find that the government showed an almost “German” obsession with an anti-inflationary policy, while unemployment – which he perceived to be the country's biggest problem – received far less attention from policy makers.

2. Integrated social and economic policies to achieve good employment outcomes

a) The need for integrated and coherent policies

Having identified the importance of making employment a global policy objective, **Gerry Rodgers** stressed that this does not lend itself to any clear and easy solutions. Further, it is uncertain whether adequate instruments exist at the global level, and how to continue with free access in global markets while creating good jobs. The ILO's work on these issues is in mid-stream, and the office is both pursuing the political follow-up to the report by the World Commission on the Social Dimension of Globalization and conducting research in conjunction with other institutions. However, what is already clear is that the central issue is the coherence between economic and social policies. In saying this, Rodgers took up an argument made earlier by **Deepak Nayyar** who argued that often disappointing social outcomes were “not an accident”, but rather the consequence of the separation between economic and social policies. The dominant approach is to design economic policies with the aim

to improve economic efficiency and growth, and then use social policies to correct undesirable outcomes. Instead, one needs to integrate policies in order to mediate between growth and social development in a way that generates employment.

Nayyar argued that, at present, such a co-ordination of policies that can lead to a coherent approach is often absent. At the national level, e.g. financial, agricultural, and trade policies are made through their own lens and seldom pay attention to employment outcomes. At the international level, the need for policy co-ordination is especially urgent in the field of macro-economic policy. In particular, he criticized the IMF for spreading the virtue of pro-cyclical policies – despite the fact that the Bretton Woods institutions were created with counter-cyclical policies in view.

Speaking for the World Bank, **François Bourguignon** said that his institution has parted from the narrow focus on efficiency and growth to take issues of social welfare and equity into account. He illustrated this point with the example of labour market policy. The traditional view taken by many economists is to see labour market regulation as a cost that drives up the price of labour, hence eliminating good jobs. The recommendation following from this is to deregulate labour markets, to make social



Juan Somavia (Director-General, International Labour Office): Growth alone will not solve the employment challenge. Photo: ILO Photo Library.

Further Reading on Globalization and Employment

- Blecker, Robert A.: 'The North American Economies after NAFTA. A Critical Appraisal', in: *International Journal of Political Economy*, Vol. 33. No. 3, Fall 2003, pp. 5-27.
- Ghose, Ajit K.: *Jobs and Incomes in a Globalizing World*. Geneva: International Labour Office, 2003.
- Gunter, Bernhard G. and Rolph van der Hoeven: 'The social dimension of globalization: A review of the literature', in: *International Labour Review*, Vol. 143, No. 1-2, pp. 7-43.
- Lee, Eddy and Marco Vivarelli (eds.): *Understanding Globalization, Employment and Poverty Reduction*. Houndmills, Hampshire: Palgrave Macmillan, 2004.
- Polanski, Sandra: *Trade and Labor Standards. A Strategy for Developing Countries*. Washington, D.C.: Carnegie Endowment for International Peace, 2003.
- World Commission on the Social Dimension of Globalization: *A Fair Globalization: Creating Opportunities for All*. Geneva: ILO, 2004 (available online at <http://www.ilo.org/public/english/fairglobalization/index.htm>)

protection voluntary, to make dismissals easy and to eliminate minimum wages. However, from a social welfare perspective, labour market regulation can enhance well-being by offering employees security. In such a case where there are trade-offs, one should avoid corner solutions and find a policy between the extremes.

This presentation was challenged by **Jo Marie Griesgraber** (*New Rules for Global Finance Coalition*) who asked why then do the World Bank and the IMF consistently insist that labour markets be made more flexible? **François Bourguignon** replied that if such a recommendation were



François Bourguignon (Chief Economist and Senior Vice-President, World Bank): We have departed from the dogmatic thinking of the past.

Photo: ILO Photo Library (Crozet).

made, it would be a sequel to the past. He stressed that the Washington Consensus had been abandoned, and with it the “one size fits all”-policies. While the recommendation to liberalize labour markets still applies to countries where the trade-off with efficiency is too large, the opposite advice holds true for other countries. Asked by **Sherman Katz** (*Center for Strategic and International Studies*) to provide an example for the kind of integrated policies that **Deepak Nayyar** demanded, **François Bourguignon** said that equity and growth are often complementary. He discussed cash transfers to poor families in Mexico, given on the condition that their children attend school and undergo medical examinations. This programme has been effective in reducing poverty and increasing school enrolment rates, while, at the same time, improving long-term economic efficiency by building up human capital.

How to find adequate mechanisms to integrate and coordinate policies was a question addressed by **Colin Bradford** (*Fellow, Economic Studies, The Brookings Institution*). He highlighted the need for national-level inter-ministerial bodies that drive efforts to achieve the MDGs. As far as the international level is concerned, he remained sceptical whether greater policy co-ordination can come from within the multilateral system. Since this depends on political will, he proposed that national leaders be charged with the issue of globalization and that a sub-steering group oversee the co-ordination of policies in respect of employment.

In contrast to Bradford’s scepticism towards self-coordination from within the multilateral system, **Juan Somavia** and **François Bourguignon** stressed the willingness and capability of their respective institutions to work together. **Juan Somavia** said that there is, compared to only ten years ago, a lot more cooperation between agencies of the multilateral system at the national level. He cited the collaboration between the World Bank and the ILO in several PRSP processes as examples. But it is now imperative to be able to have dialogue at the global level as well, particularly to balance economic and social questions. If this fails, the agencies will have to pay a heavy price and will be questioned on their failure. **François Bourguignon** put less emphasis on cooperation at the global level, but mentioned the potential for research collaboration. To understand the effects of labour market regulation more completely, the collaboration of all people in the development community is needed. Like Somavia, he also referred to the collaboration of different multilateral agencies in the PRSP processes. If all the agencies involved put employment in front, the topic would receive a high priority.

b) The effectiveness of macro-economic policy tools

How specific policies could achieve better employment outcomes was one of the key topics of the second day. The panel during the first day set the stage for this, with **François Bourguignon** emphasizing that the World Bank had departed from the ‘one size fits all’-policies of the past. When the Bank examined the binding constraints to growth through a recent business climate survey, they differed in all 53 countries included in the study – ranging from inadequate power supply to corruption and the lack of macro-stability. He referred the audience to the volume “Economic Growth in the 1990s: Learning from a Decade of Reforms” that was to be published the next day as an illustration of the changing mind-set within the World Bank. He acknowledged that in the past, the Bank had been too dogmatic in its recommendations, and accepted that the IMF and the Bank shared some responsibility for inadequate spending on education and teachers that came as a result of their demand for prudent fiscal policies. Looking ahead, he said that it is difficult for a bureaucracy not to have rules that are applied in all cases.

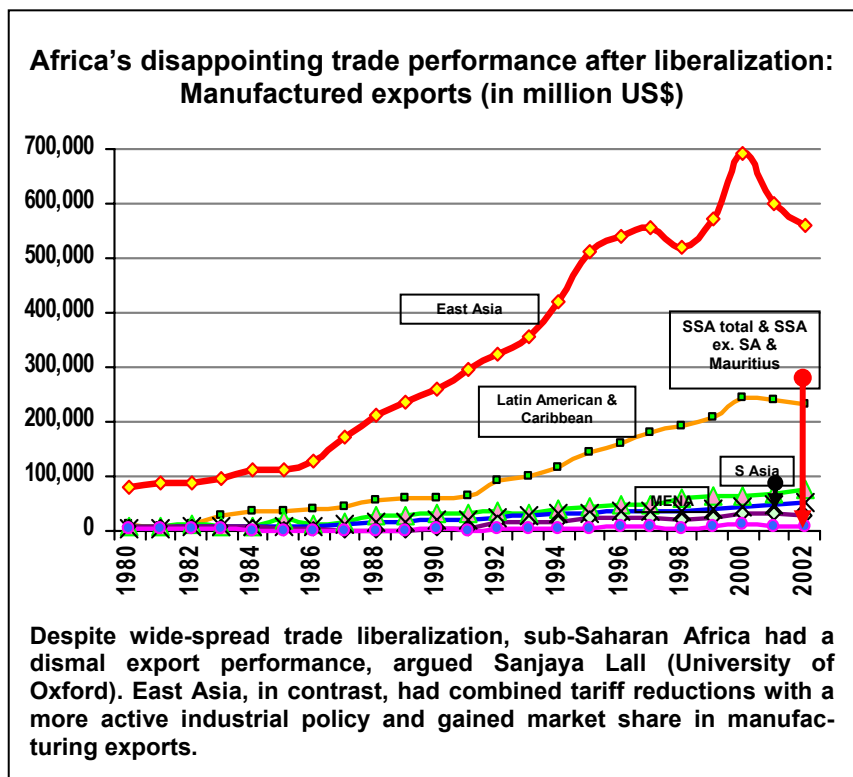
Colin Bradford referred to these comments as encouraging. He stressed that in the past, the Washington Consensus had become a vehicle for dogmatic thinking. We have too often looked at pure economic theory and ended up with ‘corner solutions’. An important example for a polarized debate is that on exchange rate regimes, which had presented a free flow and a fixed rate regime as the two alternatives. When settling for a free flow regime, no policy instruments for employment creation are left, and policy concentrates on keeping inflation low and maintaining external equilibrium. When a fixed rate regime is chosen, monetary policy is taken off the table, and do-

mestic interest is determined by world interest rates. In this case, the only instrument left is fiscal policy – but when it is used, countries risk, as in the case of Argentina, crashing the economy. The task was to move inside the policy triangle of a fixed exchange rate, autonomous monetary policy, and open capital accounts by choosing an intermediate regime with selective capital controls and managed floats. According to the data he presented, about half of all countries had such intermediate exchange rate regimes in 1999. By avoiding corner solutions, they open up policy space. The same point was also emphasised by Rolph van der Hoeven. In conjunction with a “flexible” system of capital controls, real exchange rate management can play an important role in creating employment. However, this is only possible if real exchange rate management is not needed to fight inflation. Therefore, other instruments – such as wage restraint – are needed to keep inflation low. Van der Hoeven argued that this again points at the need to have coherence between different policy areas, which should, however, be achieved through consensus and not repression. Gerry Rodgers also referred to real exchange rate management as a policy tool whose viability should be further explored.

The potentially negative effects of financial openness for developing countries were another key topic in the presentation by **Rolph van der Hoeven**. He said that financial liberalization is associated with higher consumption volatility in developing countries. Further, net capital flows tend to be pro-cyclical in most developing countries, and therefore exacerbate the effects of pro-cyclical fiscal and monetary policy. As **Yilmaz Akyüz** (former Director, Division on Globalization and Development Strategies, UNCTAD) argued, finance is now the most important source of macro-economic instability. Financial openness has made selling and buying assets more attractive than creating them, leading to economic bubbles without new jobs. Financial markets have misallocated resources more often than in the hey-days of administrative allocation. During the resulting busts, a lot was lost, and while the East Asian economies have recovered from the crisis, many people have not. This assessment finds support in **Ann Harrison’s** finding that currency crises have very negative effects for the labour share in national income in developing countries.

In sum, financial openness increased the risk more than it lowered the cost of credit, and according to **Yilmaz Akyüz**, hence reduced investments. Investments, however, are key to the creation of new jobs. But rather than effectively enhancing their volume, policy often results in the opposite. The stabilization of the 1980s resulted in a long-lasting investment pause. While the second gen-

eration of reforms with their emphasis on governance and a more favourable investment climate was designed in the expectation that investments would pick up, the overall results were disappointing. In sub-Saharan Africa and in Latin America and the Caribbean, low public investments were associated with low private investments. In contrast to this, Asia saw strong public and private investments (an effect known as “crowding in”). The data presented by **Rolph van der Hoeven** showed that foreign direct investment into developing countries significantly increased in the second half of the 1990s, but that it was highly concentrated. Only a dozen or so countries attracted three-quarters of total FDI during the 1990s. **Yilmaz Akyüz** concluded that conventional, stabilization-oriented macro-economic policies failed to attract investments, and that they were not designed to make use of the existing labour resources.



The loss of tools to allocate investments in an employment-enhancing way is paralleled by a similar development in trade policy. As **Yilmaz Akyüz** argued, the WTO agreements constrain developing countries’ ability to move up the value chain by applying selective trade barriers. Historically, the now developed countries have used them in their own industrialization, and it is unfair to deny developing countries the instruments they need by abolishing tariffs across the board. **Sanjaya Lall** reminded the seminar participants that sub-Saharan Africa had a dismal trade performance despite wide-spread trade liberalization. East Asia, in contrast, had combined tariff reductions with a more active policy and gained market share. Taking South Africa as an example, **Collin Bradford** highlighted how orthodox trade policy can have negative employment effects. Liberalization led to an increase in the import of wage-goods and the country has hence forgone a labour-intensive growth path.

c) Integrating micro-economic elements into an overall strategy

The “trick” of a successful strategy, **Collin Bradford** said, is to combine macro- and micro-economic policies in an overall strategic framework. Since markets do not have any implicit wisdom, developing countries need to be encouraged to have a vision of how to catalyze society for dynamic growth. **Sanjaya Lall** expanded on this point, saying that globalization itself does not lead to greater trade and employment, and neither does a country’s openness by itself lead to competitiveness. What is needed instead is a co-ordinating mechanism and a strategic industrial policy. While this necessarily involves slightly selective policies, it would be a mistake to believe that protectionism alone delivers good results since it can deter learning.

Learning and technology acquisition should be at the heart of an industrial policy, said **Sanjaya Lall**. Competitiveness requires building capabilities to use technology, gaining leverage over foreign capabilities, and addressing the associated market failures in the learning process. This is a precondition of entering global production systems and for moving up the value chain towards high-technology products – a step all successful developing countries have taken. He outlined a strategy with five elements: (i.) promoting learning within activities that promise sustained growth and exports; (ii.) coordinating learning in industry with factor markets and institutions; (iii.) promoting shifts across activities into dynamic and technology intense activities; (iv.) promoting learning across linked industries, clusters and value chains; (v.) leveraging local capabilities with international factors and value chains.

d) The employment effects of policy choices in South Africa, Mexico, and India

James Heintz (*Assistant Research Professor, Political Economy Research Institute, University of Amherst*) outlined the debate on employment performance in South Africa where unemployment climbed by 10 per cent since the end of Apartheid and now stands at 26 per cent (narrow definition). Two different schools of thought attributed this to (a) the legacy of Apartheid and portrayed South Africa as an exceptional case, or (b) the government’s macro-economic stabilization programme. The proponents of the first school pointed to the very capital intensive industrial structure of South Africa that provided a small number of well-paid jobs (formerly reserved for whites), while human resources remained generally underdeveloped. A further legacy was the spatial pattern of industry and the rural-urban divide. Proponents of the second school singled out the 1996 stabilization programme as the main cause of the disappointing performance. It involved a tight fiscal stance, low inflation targets, and trade and capital account liberalization.

Within the programme, each policy focused on a narrow objective: fiscal policy was motivated by debt management, the stabilization policy by foreign exchange reserve concerns, and the liberalization policy was intended to capture the benefits of global integration. These policies, however, remained isolated. Taking up **Sanjaya Lall**’s argument, **James Heintz** argued that an overall (rather than purely sectoral) industrial strategy was needed in South Africa. The strategy should emphasize employment, domestic linkages and sustainability. Issues to be tackled are high prices for economic services (e.g. telecommunication, electricity and ports), the bias towards large enterprises and monopolistic markets. While the high price of labour is often cited as a major factor, this was a factor that only became problematic in conjunction with low productivity and high non-wage costs. The complementary macro-adjustments included an upward revision of the overambitious inflation target and a management of the real exchange rate since the Rand attracted short-term flows that resulted in an overvaluation.

For Mexico, globalization primarily took the form of integration with the United States, said **Robert Blecker** (*Professor of Economics, American University*). The country implemented liberalization and privatization policies from the 1980s onwards, but it was the NAFTA agreement in 1994 that ‘locked in’ these reforms. It tightly restricted the government’s ability to adopt industrial policies and to regulate investments. The optimistic expectations that the agreement would lead to massive job creation in Mexico (and the fears that this would be accompanied by equally massive job losses in the United States) never materialized. As is to be expected from standard trade theory, the main effect was an employment shift across sectors: job creation in export-oriented manufactures was offset by job losses in import-competing sectors. Only the prediction that about one million agricultural workers would be displaced turned out to be correct. Overall, it became clear that liberalization did not solve Mexico’s employment problem. Blecker attributed this to three main reasons:

- (i.) The export economy had few linkages to the rest of the economy; about three-quarters of the value of exports from the *maquila* sector consisted of imports.
- (ii.) Output growth was accompanied by rapid productivity growth, leading to proportionately smaller increases in employment.
- (iii.) Mexican exports increasingly faced competition from China which is gaining market share in the United States and Canada, and in Mexico itself.

The main message emerging from **Gerry Rodgers**’ presentation on India was that the country has successfully engaged with globalization. It is, however, difficult to discern the effects of greater openness from the effects of internal policy reforms. One indication that points to the importance of the latter is that India’s growth accelerated beyond the so-called ‘Hindu rate of growth’ of around 4 per cent during the 1980s, while the engagement with

globalization took off only in the early 1990s. Even though FDI increased, it only accounted for 2.8 per cent of gross domestic capital formation in 2000 (up from 0.3 per cent in 1990). The dynamic industry of IT-enabled services outsourcing (in areas such as call centres and back office processes) attracted much attention outside India, but caused far less excitement inside the country. Limited to local islands such as Bangalore, the industry will employ one per cent of the Indian labour force by 2008 – at the most optimistic estimate.

One important topic of the current policy debate are India's labour market institutions. Despite claims to the contrary, employment regulations do not seem to be unduly restrictive in practice – as the dynamism of the IT sector has illustrated. Further, the loosening of employment regulations during economic reform coincided with decline in employment creation; this may provide an indication that the employment regulations are not the factor hampering employment growth. More attention should hence be given to other issues such as investments in skills and infrastructure. Fostering domestic demand could be another channel to create more employment. All these elements should be made part of an integrated strategy. So far, India pursues industrial, macro-economic, and social policies largely independent of one another, forgoing the benefits of greater policy integration. And even though employment has been high on the official policy agenda, it has often been treated as an add-on in terms of practical policy formulation.

3. Conclusions and priority issues

In his synthesis, **Duncan Campbell** (*International Policy Group, International Labour Office*) reiterated the statements made by **Juan Somavia** and **Collin Bradford** who agreed that making employment central is essentially a political issue, and that there is a role both for inter-ministerial co-ordination and greater coherence within the multilateral system. It has to be kept in mind that the purpose of macro-economic policy is welfare, and that this is achieved through the channel of employment. Referring to the intervention by **François Bourguignon**, he repeated that the task at hand was to create “more better jobs”. One had to accelerate growth and make it more employment rich. Although it might be premature to announce the “Carnegie Consensus” on this question, **Duncan Campbell** said that the meeting had nonetheless achieved consensus on six points:

- (i.) The negative effects of financial market liberalization pose a real problem, and the issue should be on the top of the priority list. By comparison, labour market rigidities – often cited as a major factor – would be further down the list since they have only small effects.
- (ii.) There has also been a general mistrust over passive liberalization. Simply opening up an economy would not deliver the desired results. Instead, globalization needs to be managed, by making use of e.g.

intermediate exchange rate regimes or selective capital controls.

- (iii.) Recalling statements made by **Yilmaz Akyuz**, **Rolph van der Hoeven** and **Ann Harrison**, he said that the decline in employment elasticities could in part be attributed to the destabilizing effects of financial liberalization, while the availability of capital made capital-intensive (rather than labour-intensive) growth patterns more likely.
- (iv.) Drawing on the South Africa case study by **James Heintz**, **Duncan Campbell** emphasized that a relevant concept of industrial policy was needed. This included targeting industries with a likely competitive advantage, both within the high- and low-tech-sectors.
- (v.) An additional, although possibly not entirely consensual point, was to pay greater attention to the structure of public expenditure and to make it more employment friendly.
- (vi.) An across-the-board reduction of tariffs will not lead to industrialization in developing countries when capital building is absent. **Campbell** pointed at the quota system under the now expired Agreement on Textiles and Clothing/Multi Fibre Agreement as an example of a tool to geographically diversify an industry.

The central challenge would now be to get these policy prescriptions and the issue of employment on the agenda, said **Karen Tramontano** (*President, Global Fairness Initiative*). She showed some optimism over this since (a) the World Bank had “come out of its box”, and (b) the Bush administration had realized the importance of the issue, making dialogue easier. **Sandra Polaski** suggested that an item be added to the list of consensual findings – and that it should read:

- (vii.) So far the policy concern has been largely with keeping inflation low. To shift the focus, there is a need for an explicit employment target.

James Heintz asked the panel of the concluding session what the strategic interventions would be to put employment high on the policy agenda? Should one focus on the World Bank and the PRSPs, try to influence the donors, or seek to add a MDG on employment? “All of the above,” was the answer given by **Karen Tramontano**, and **Gerry Rodgers** added that one strategic success would be if the International Monetary and Financial Committee (IMFC) acknowledges that employment should be a central policy objective. Further, one needed to get commitment at the enterprise level – creating jobs could be seen as part of Corporate Social Responsibility.

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