

Coping with globalization

Active Labor Market Policies around the World: Coping with the Consequences of Globalization. By Peter Auer, Umit Efendioglu, and Janine Leschke. Geneva, International Labor Organization, 2005, 90 pp., \$19.95/paperback.

In early November 1993, the United States Congress enacted and the President signed into law a measure that required States to participate in a system of profiling unemployment insurance (UI) recipients. Based upon the profiling methodology, UI recipients who are identified as likely to exhaust benefits are required to receive immediate reemployment services to speed their return to work. By mid-December of that year, Federal Labor Department analysts developed operating procedures for States to implement worker profiling and reemployment services systems.

Those Federal-mandated State procedures, still in force, helped amalgamate some U.S. passive and active workforce policies. This book—by Peter Auer, Umit Efendioglu, and Janine Leschke of the International Labor Organization (ILO)—describes active labor market experiences of the United States and other nations; examines what is known about the effectiveness of active labor market policy measures; and argues the merits of such policies in industrial, transition, and developing countries.

According to the authors, the chief economic function of labor market policy (LMP) is to match labor demand and supply, and it is the interaction of passive and active measures that facilitate this matching. While passive measures that deliver replacement income—such as UI and early retirement benefit payments—are discussed, the centerpiece of the authors' analysis lies in their scrutiny of active measures that enhance labor market reintegration: job search assistance

and job training; and job creation through hiring subsidies, enterprise promotion, and public works.

In 1964, the ILO recommended an active labor market policy to promote “full, productive and freely chosen employment.” However, not until the 1990s did the policy momentum for countries to adopt active measures intensify. The Organization for Economic Cooperation and Development (OECD), of which the United States and other industrial nations are members, adopted an active labor market policy in its Jobs Strategy of 1994. The European Commission followed suit with its European Employment Strategy of 1997. Today, in many of the 30 OECD countries and the 25 European Union (EU) Member States, active labor market policy has become a permanent fixture, and is used in some form in almost every nation, although the measures differ in abundance, design, and implementation.

The authors synthesize an enormous amount of research in their concise manuscript. As a consequence, readers are supplied with a comprehensive portrait of global labor market policies aimed to promote income replacement and labor market integration without getting knee-deep into program minutia. The authors survey five methods of intervention: job matching (for example, public and private employment services); enhancing supply (for example, training); reducing supply (for example, early retirement); creating demand (for example, public works); and changing the structure of demand (for example, employment subsidies).

The authors discuss recent policy trends in OECD countries. These workforce policies include establishing one-stop centers, which pool related public and private workforce and social services to aid job matching, and “welfare-to-work” or “work-first” programs (for example, in Denmark and the United Kingdom), which give priority to active over passive measures. The authors re-

port that several transition countries (such as Hungary) still in the throes of economic conversion have instituted employment service models based upon recent OECD workforce policies. Despite this, they cite a 2001 OECD study that depicts some of the lowest public expenditures on passive and active measures in Japan, the United Kingdom, and the United States when compared to the then-15 EU countries. Further, they note that while direct-job creation is in present disfavor by most OECD countries, public works projects may be of value in countries with scarce aggregate demand and high long-term unemployment.

A chapter devoted exclusively to program evaluation contains an easily understood chart in which the authors summarize research from more than 200 active labor market policy studies. These studies, mainly from industrialized nations, seem to show that not all active measures efficiently reach their target groups; not all enhance the prospects of participants to access jobs; and not all are cost-effective in reaching their goals. From this, the authors suggest four policy lessons: targeted measures achieve better results than broad measures; measures that are closer to real-work situations achieve better results; decentralized delivery of services seems to yield better results, provided there is monitoring to curb policy deviation; and integrated service delivery tends to be allied with administrative decentralization.

The authors are expert synthesizers of complicated labor market policies. They provide a cogent description of the role played by active policies in four areas: job creation directly through subsidies, enterprise creations, and public works, and indirectly by improving employability through job training and ensuring efficient labor exchanges; economic security by addressing the adverse effects of structural change and insufficient labor demand; equity by ensuring the participation of specified

target groups, such as disadvantaged workers and youth; and poverty reduction through measures that provide decent work, training, and income.

The authors suggest that if government measures in these areas are instituted as bridges to employment and not as traps to dependence, then they may yet be placed in the catalog of workforce security improvements. They contend

that countries open to the global economy have put in place active labor market policies to protect their workers from the ill effects of globalization and technological change; their analysis shows that workers' perception of security increases along with spending on these policies. On balance, they are adherents of active policy measures as a means to prevent joblessness and re-

duce poverty. The authors conclude that active labor market policies may be indispensable political countermeasures to the great difficulties that globalization may pose for some workers.

—David E. Balducchi

Employment and Training Administration,
U.S. Department of Labor