

For
scheduling
meeting

e-mailed Cellier
for CPH or POTUS
plane / commercial
& possibility

Commercial flight
back on Tuesday
through @ 1:30 pm
flight back?)
Sylvia - CPH attending
contact(?)

G-7 JOBS CONFERENCE

DAY ONE

*Carol
FMT
person
conversations
SJP*

9:00-10:00 Welcoming of Ministers

10:15 - 11:15 Presidential Address Rubin, introduction.

Exact subject to be determined: US Jobs Agenda and the international economy.

12:00 - 2:00 The World Employment Problem,
Tyson, host moderator.

- o Why are we here: Weak global demand and increases in both cyclical and structural unemployment. Relationship between macroeconomic fundamentals and structural problems.
- o Nature of the unemployment problem: Empirical overview; what is happening in the economy and labor market.

Theory and description of EC, US, and Japan, including major similarities and differences.

Followed by Lunch

2:15 - 4:15 Creating Employment Opportunities in the Global Economy, Bentsen, host moderator.

Initial brief remarks by host moderator, followed by presentation by three lead discussants, after which floor opened to comments.

- o The interaction of structural reform and macroeconomic policies: what is appropriate macroeconomic management in today's increasingly-integrated economy?
- o The boundary between the public and the private sector: freeing up entrepreneurial job-creating businesses without abandoning our commitment to providing economic security for all.
- o Keeping high unemployment from reinforcing protectionism: public education and political management after the Uruguay Round.

4:15 - 4:30 Coffee Break

4:30- 6:30 Technology, Innovation, and the Private Sector
Brown, host moderator.

Initial brief remarks by host moderator followed by presentation by three lead discussants after which floor opened to comments.

- o Technology and innovation: how have these forces enabled job creation, reorganizing work, and industrial restructuring. How should governments regard these structural changes?
- o Role of small and medium companies: do they play a unique role in economic growth and job creation?
- o Infrastructure and R&D: appropriate area for government action? Relation to job creation.
- o New potential for job creation: environmental technologies.

8:00 - 10:00 Dinner Hosted by the Vice-President,
Ministers and senior officials by invitation.

DAY TWO

9:00am-11:15 Labor Markets, Programs, and Policies
Reich, host moderator.

Initial brief remarks by host moderator, followed by presentation by three lead discussants after which floor opened to comments.

- o Labor market institutions
 - wage structure/flexibility
 - bargaining institutions
 - work rules
 - high performance workplaces
- o Human Capital
 - school to work/vocational/apprenticeship
 - skill levels and employer retraining
 - active labor market policies/adjustment
 - self reliance and community
- o Social safety net and flexibility
 - unemployment, disability and pension benefits
 - incentive structures and mobility

11:30-1:30 Closing Session: Working Lunch, Bentsen, host

- o Principles to guide employment policy
- o Initiatives we could arrive at, either for today or to announce in Naples
- o What has worked: lessons learned
- o What has not worked: areas for further development
- o Public education and public understanding

1:30 Press Conference

Joint photo session with chairman's statement afterwards.

AGENDA NOTES

1. As we discussed in each of the capitals, only ministers will sit at the table and speak.
2. Other senior officials can attend the conference. To promote informality and frank exchanges, we request that each country limit their non-ministerial officials in the conference session to one per minister, plus a note taker. We can provide a separate room with audio from the conference if desired.
3. Simultaneous translation will be provided throughout the conference, and other arrangements will be made for translation during meals.
4. A separate staff room will be provided for each delegation, and we will respond to all needed equipment (phones, faxes, copiers, etc.). Please see the logistic paper for additional information.
5. There is likely to be a social function on Sunday night, March 13, held by the Detroit Host committee to which ministers and senior officials can attend, by invitation.

G-7 JOBS CONFERENCE THEME PAPER

**March 14-15, 1994
Detroit**

At the Tokyo summit, all the G-7 leaders voiced their concern about high unemployment, and the challenge of job creation in a newly competitive world economy. President Clinton proposed the jobs conference as a way for the G-7 countries to learn from each other, share experiences about what policies have and have not worked, and build a deeper and broader understanding as a basis for joint action to address the global unemployment problem. There is a positive message about growth and change; Governments, working together and with business and labor, can and are helping our citizens meet the challenge of change and competition in the 21st century. While there are no quick fixes to these vexing issues, the jobs conference will allow each of the G-7 to compare their efforts, evaluate their successes and failures, and implement better policies and programs.

Following below are thoughts on how the conference will be organized. We hope it will serve as both a substantive guide to the conference sessions, and as a provocative discussion paper. The paper first presents an analysis of the state of unemployment in the G-7 nations. A second section discusses the inter-relationship of macroeconomic and structural employment policies. The third, fourth, and fifth sections describe the relationships between job creation and policies related to both macroeconomics and trade, technology and innovation, and labor markets and human capital, respectively. The G-7 participants are encouraged to consider the policy issues discussed in this paper and to discuss at the conference the lessons of their own experiences, both successful and unsuccessful.

THE RECENT HISTORY OF UNEMPLOYMENT AMONG THE G-7

In 1970 the average unemployment rate in G-7 countries was 4.3 percent -- 3.9 percent in the four European G-7 economies. In 1993 the average unemployment rate was 8.3 percent. The rate among European G-7 countries was 9.4 percent -- more than double the rate in 1970.¹

¹. The draft "Employment/Unemployment Study" performed by the General Secretariat of the Organization for Economic Co-operation and Development notes that the unemployment problem has been centered in Europe and has manifested itself in an absence of private sector job creation there over the past two decades.

At first glance the G-7 nations share some commonality in their unemployment records. All have seen higher rates of unemployment in the past two decades than in the 1960s. However, there are also many significant differences. The G-7 nations of continental Europe have seen unemployment rates rise nearly steadily since the first OPEC oil shock, with only a slight retreat from the highest levels before the onset of the most recent world recession. Unemployment rates in these countries are at or near all time highs.

The story is different in the English speaking G-7 countries. Here unemployment rose in fits and starts from the early 1970s through the early to mid 1980s, fell considerably in the late 1980s, and then increased abruptly in the most recent recession. The peak levels of unemployment reached during the most recent downturn were all below previous peaks, and recoveries appear underway in all three countries.

Japan's unemployment rate has never been as high as the other G-7 countries. This is due to the tendency of Japanese firms to retain workers during cyclical downturns, to the low participation rates of Japanese teenagers, and to the tendency of unemployed workers to drop out of the Japanese labor force. But while its measured unemployment rate is low, hidden unemployment is thought to be sizable and rising. This along with other changes are putting the Japanese "lifetime" employment system under real strain.

Thus, the causes and types of unemployment in the G-7 countries vary considerably, and therefore potential solutions will vary as well. Individuals entering or leaving the labor market, or who lose their jobs unexpectedly, require time to find work. This unemployment is called "frictional" unemployment. Most of the broad increase in unemployment of the last two decades has not been due to frictional unemployment. Nevertheless, programs to reduce labor market frictions may be effective at reducing it. Programs that provide better information about where jobs are and about how to find them are obvious examples.

Other unemployment arises because the geographic or skill composition of labor demand does not match the composition of the work force. This is termed "structural unemployment". Education and training programs, relocation assistance, and programs to promote economic development in depressed regions may help reduce structural unemployment.

Labor market policies may induce unemployment in their own right. Many transfer programs require people to look for work as a condition for receiving benefits. These transfer programs create an incentive for people not to work, but claim that they want to do so. For example, unemployment insurance programs may allow workers to remain unemployed without serious loss of income for extended periods of time. But reducing the level of support increases the trauma

of job loss for those who lose their jobs through no fault of their own.

Worker bargaining power and some labor market institutions that generate wage rigidity can cause real labor costs to be so high as to make it impossible for businesses to employ everyone who would like to work at going wages. This "classical unemployment" can only be reduced if real labor costs grow more slowly than productivity.

Last, no G-7 country has been able to escape the ravages of cyclical unemployment. When aggregate demand falls and the economy slows, firms lay off workers. No job search, training, or relocation programs can do anything about this type of unemployment. Only monetary and fiscal policies can deal with the problem of cyclical unemployment.

However, cyclical unemployment that persists may turn into structural or classical types of unemployment, which are more difficult to address. The long-term unemployed may lose their skills. Employers fear, perhaps unfairly, that the long-term unemployed are undesirable workers. Workers may become so discouraged that they become accustomed to accepting transfer payments when they would have otherwise sought work.

Thus, while most of these types of unemployment are present in every G-7 country, efforts must be made to reduce cyclical unemployment if all other forms of unemployment are to be reduced.

The magnitude of the challenge is evident in the fact that a representative OECD country with annual productivity growth of 1.5 percent and labor force expansion of 0.5 percent must grow at a real rate of over 2 percent annually just to hold unemployment constant. Real growth of 4 percent per year appears necessary to reduce unemployment by 1 percentage point over a year, and 6 percent growth to reduce unemployment by 2 percentage points per year. Without such levels of growth, structural reform policies will not work effectively.

In her session, Dr. Tyson will provide an overview of the world employment problem and discuss the natural complementarity between appropriate fiscal and monetary policies and policies to address structural impediments to employment growth. It is as unproductive to train workers for jobs that do not exist as it is to try to create jobs when workers lack the skills to do them. Nor can policies expect to stimulate technological progress if its labor force lacks the skills to employ technology. Countries that pursue macroeconomic expansion without addressing such microeconomic problems as labor market structure, economic "openness", or creating an entrepreneurial environment may also be less than fully rewarded. Countries that pursue these structural improvements without taking steps to increase aggregate demand will see little or no return for their efforts.

However, structural improvements and macroeconomic growth policies can reinforce each other to produce faster growth with less inflation and more employment, the result that each of the G-7 nations desire.

INTERNATIONAL TRADE AND ECONOMIC INTEGRATION

As noted above, high unemployment may itself aggravate other problems that the G-7 nations share. Protectionist forces have shown remarkable strength in all G-7 countries in recent years. Slow growth and high unemployment lend specious plausibility to arguments that international trade costs jobs.

The natural tendency for trade to create widespread benefits but focus costs on a few leads some domestic constituencies to oppose more open trade. This trend is even more pernicious given the rapidly accelerating level of integration of our economies into a global system. Trade in goods and services constitutes a rising share of global economic output: in fact, this rising level of trade has been an important factor contributing to growth throughout the world. The revolution in digital technologies, discussed in the section on technology and innovation below, has made it easier for firms to bring together resources from around the world into their production systems. The advent of a single global capital market, driven by integration but also fostering it, has made it easier to finance all forms of international economic activity.

The result has been a rise not only in the level of global economic integration but in the variety of its forms. Beyond trade in goods and services, foreign direct investment plays a growing role in both the developing and advanced economies. Transnational alliances, partnerships, and joint ventures are found in most of the world's major industries. The leading firms of the advanced nations now find themselves, at the same time, competitors, research associates, suppliers, and product or marketing joint venturers. Moreover, the major regions of the world increasingly find themselves drawn through these ties into an international division of labor in many industries that binds their economic prospects together.

The conference will address the effects of this new and higher level of economic integration at Secretary Bentsen's session, "Creating Employment Opportunities in the Global Economy." Secretary Bentsen will also discuss the interaction among structural reforms, tax policy, and macroeconomic policy in boosting private sector job creation without endangering the social safety net. G-7 governments also need to stress at every opportunity that international trade is an engine of growth – that our wages are higher and jobs easier to find because of trade. Moreover, they need to embrace the view that economic progress is now tied to promoting integration. G-7 governments need to pursue increased openness to foreign investment, a corresponding decline in policies of autarchy, and increased willingness to accept foreign capital-affiliated firms in their policy frameworks

when their actions lead to better output and employment.

An argument often made in today's press -- one that has almost attained the status of conventional wisdom -- is that "globalization" is a threat to the living standards of the bulk of the work force in advanced industrial countries. Factories that would once have located in advanced industrial countries can locate anywhere. Thus, this argument imagines a fall in the employment opportunities and wages of blue-collar workers in industrial economies for that reason.

G-7 governments need to point out that this argument is specious. In the U.S., for example, jobs associated with export industries pay wages 10 percent higher than average. Economic studies of the changing distribution of wages assign only a modest role to changes set in motion by shifting trade patterns, and a central role to changes set in motion by advances in technology. And while the nature of job creation will continue to change in the future because of the growing integration of the world economy, to date the evidence suggests that "globalization" has played little role in producing the unemployment crisis.

TECHNOLOGY, INNOVATION, AND THE PRIVATE SECTOR

The relationship between technology and employment growth is complex. But without its remarkable record of innovation, America would still be a nation of farmers, artisans, and canal-diggers, rather than one of software engineers, machine tool operators, and health care practitioners. Each of the G-7 nations can make a comparable statement.

Technological change creates new jobs that are different in form and content from existing jobs. New technologies can devalue some skills, causing adverse impacts on workers. But new inventions, new production techniques and processes, and new ways of organizing production create new opportunities as well. Thus, technological change can be jobs-enabling. But when firms use technology in innovative ways, they enhance their competitiveness and their nations', and technology becomes jobs-creating. The relationship between technology, innovation and entrepreneurship, and job creation is the topic of Secretary Brown's session, "Technology, Innovation, and the Private Sector".

The full benefits of technological change flow when economies do things differently. The revolution in digital technology -- the "Information Age Economy" -- like the invention of the steam engine, interchangeable parts, and the assembly line before it, is transforming our economies. The integration of computing and information networks into the economy is making manufacturing more productive and flexible. The same technologies are leading various service sectors to increase their productivity and to expand. They have reduced the cost of communications and thus accelerated the world's economic integration in industries from airlines to

automobiles to retailing to finance to basic manufacturing.

These epochal technologies are also changing the nature of the firm itself. Information is easy to access and virtually free: technology has reduced dramatically the need for management hierarchies to monitor and manage the flow of production. These technologies allow companies to use partnerships, alliances, and market relationships as a substitute for vertical integration. The result has been a wave of private sector restructuring in all advanced nations as companies reconfigure themselves in response to new technological opportunities.

The implications of the incorporation of these technologies into the economy are profound. Informed production requires greater worker involvement and decentralized decision making. Technology increases the importance of cognitive skills, and thus flattens the pyramid of supervision at workplaces. This underlies the shift to what are sometimes called "high performance workplaces" in the U.S.

Information technology becomes more accessible as it matures, as seen in such innovations as "point and click" computing and digital voice recognition. As these technologies evolve, they may paradoxically not require more technical skills in the work force so much as better basic literacy, numeracy, and analytic judgment. This re-emphasizes the need for improved basic education in all the G-7 nations.

Technology can enable jobs, but it must be combined with innovation and entrepreneurship, and then disseminated and incorporated into equipment and work force skills. When combined with these forces, it becomes a vehicle for growth and job creation.

Consider, for example, Figure 1, which shows the average growth rate (over the years 1982-1987) for a sample of 9,000 U.S. manufacturing plants of different sizes, depending on the extent to which they deployed advanced manufacturing technologies, collected and tabulated the Commerce Department's Census Bureau.

These data demonstrate that technology has created jobs where it allowed innovative companies to grow. Small companies that invested heavily in manufacturing technologies grew at an astonishing rate of 218 percent over this five-year period as a group.² Even those large companies that faced downsizing and greater international competition lessened their decline to the extent that they deployed technology. The conventional notion that companies that deploy

² It should be noted that the data do not include plants that closed over the period. Closure rates for small plants are typically much higher than for large plants and so these data overstate the contribution of small firms as a class to overall employment growth.

technology most aggressively reduce employment the most is simply not so. Long-term job growth results when technological development is married to innovation and entrepreneurship. The G-7 governments need to enter into a partnership with their private sectors.

All governments need to recognize their legitimate role in promoting scientific and technical research. Policies that succeed in this area will be those that lead to activity that otherwise would not have been performed. They must also strive to guarantee the highest possible social rate of return over and above appropriate private rates of return. Secretary Brown's session will address the different ways that the G-7 nations have pursued these goals.

One such policy consists of stimulating research on problems that are beyond the time frame of the private sector or at a stage where results would not be immediate or appropriate for any firm or group of firms. A second would direct research effort at "social missions", perhaps environmental, infrastructure, or public health concerns. Yet a third would emphasize the diffusion of results throughout the economy, particularly to smaller firms who would otherwise lack the resources to learn about them.

A second set of policies center on providing infrastructure to reinforce the cycle of technology, innovation, and entrepreneurship. Here the most important current example is the provision of broad-band digital networks that support advanced networked communications and computing, the so-called "information highways." While governments need not be the actual providers of such "highways" -- and, in fact, may be better off leaving the actual construction to the private sector -- they are essential in assuring shared technical standards and protocols and in working to guarantee broadly shared access for the entire population. The core of this policy must be a sensible strategy for the deregulation of telecommunications. The United Kingdom, for example, has pursued such a policy aggressively.

A third set of policies of immediate importance to the innovation process are the subjects of the other sessions of the jobs conference. A stable and growth-oriented macroeconomic environment is needed to provide business with the confidence it needs to commit itself to new technological investments. A commitment to open markets and economic integration allows firms access to innovations abroad, through trade, partnerships, or direct foreign investments. Moreover, trade helps to create the competitive pressure that leads to greater innovation. A domestic environment that favors deregulation and competition and sound corporate governance complements this international openness. Lastly, developing work force skills that provide a needed complement to technological development is an essential part of this process.

TRAINING, SKILLS, AND JOBS

The problem of job creation has manifested itself differently in different countries. Over the past two decades, Western European nations have experienced substantial real wage growth for many of those who have remained employed, but employment itself has stagnated. Unemployment has increased over successive business cycles and has risen close to a staggering 11% in the European Union.

In contrast, North America has experienced buoyant private sector employment growth over the past two decades. And many of these jobs have been in high-wage, high-value added service occupations. But many of these jobs do not call up value-creating skills and, in fact, their wages continue to decline. Wage differentials have widened in North America, and the real wages of low-paid and less-educated workers have fallen in absolute terms, particularly in the U.S..

Japan proved more successful than other G-7 nations during the 1980s in maintaining low measured unemployment while expanding employment and experiencing rapid growth in real wages. But even Japan now shows signs of rising hidden unemployment.

Do these trends mean that G-7 nations must inevitably accept a trade-off between good jobs and more jobs as we experience greater economic integration and technological advance?

We do not believe such a trade-off is inevitable. The unemployment problem facing G-7 nations partially reflects cyclical unemployment. But even with a complete macroeconomic recovery, unemployment will likely remain high in Europe, hidden unemployment will persist in Japan, and that even in the United States dislocated and disadvantaged workers will continue to have difficulty finding new jobs. The primary structural labor market problem in the G-7 is a shift in relative labor demand against less-educated workers and those doing routine tasks and toward workers with problem solving skills. Unemployment has taken its greatest toll on manual workers and non-college workers.

These trends will continue. Increased globalization and technological change have raised the knowledge content of goods in which G-7 nations have a comparative advantage. If properly managed, this shift in demand can lead to rapidly-growing economies that produce high-wage, high-skill jobs. But no country has yet found the right approach to adjusting and succeeding in the new world economy.

The continental European pattern of inflexible wage-setting processes and employment rules -- either through government intervention or a highly structured wage-setting process -- succeeded in the 1980s in preventing the gap between high-wage and low-wage workers from widening, but did not address the profound

changes in the demand for skills and the need for more enterprises to adapt to new technological possibilities. Such policies maintained wages and job security for the employed, but greatly burdened new job creation especially in small and medium-sized businesses. These restrictions on wage flexibility and innovation have led employment growth to stagnate in these nations. Only higher public sector employment prevented even worse unemployment problems in many of these countries during the 1970s and 1980s.

The U.S. approach is more oriented towards subjecting labor to the discipline of market forces, but has led to greater inequality in wages and working conditions and absolute declines in compensation for low-paid and less-skilled workers. Greater employer flexibility in the U.S. labor market has led to U.S. job growth, but that growth has been punctuated by high unemployment in recessions and increasing problems of unemployment for disadvantaged and displaced workers, especially those in the inner city.

Finally, some constituencies in the advanced industrial nations blame imports -- especially from developing nations -- or immigrants for rising unemployment or lower wages. But escaping from global markets through protectionism is not the solution. Technology will reduce the demand for less-skilled workers even if borders are sealed.

These experiences strongly suggest that a new approach to employment is needed - one that invests in the skills of all workers so that they can participate in economic change. This new approach is the subject of Secretary Reich's session, "Labor Markets, Programs, and Policies". The first and most obvious policy priority to reduce unemployment is to ensure that all the G-7 economies enjoy a complete recovery from the recession of the early 1990s through a stronger macroeconomic environment. Tax and transfer systems must be designed to make work pay for the disadvantaged. The interaction between labor market institutions and labor market flexibility will also be discussed.

We must then address structural labor market problems that require new and different skills. First, good education, training, and retraining must be available to all citizens. Increased investment in education and training must emphasize enhanced early childhood education and care; improved basic education; an effective school-to-work transition system; measures to enhance economic opportunity for those in urban areas; and transitional assistance and retraining opportunities to rapidly move displaced workers into new jobs.

Second, firms must be encouraged to provide on-the-job training to their workers so that they fully complement modern technology. Life time learning in the work place should become the norm rather than the exception.

Third, up-to-date employment information, job-counselling, and job-search assistance must be available to all new entrants to the labor force and all newly unemployed workers. Each nation needs to move from passive unemployment insurance systems that merely provide income support to active reemployment systems that facilitate the movement from one job to the next. Longer-term income support for the able-bodied unemployed should be linked to participation in active measures to upgrade skills and to gain employment. Early intervention with active measures to move the newly unemployed into new jobs has proved successful and cost-effective in pilot U.S. demonstrations. The best way to deal with long-term unemployment is to prevent it by moving job losers quickly into new jobs.

This overall strategy requires different policy changes in different G-7 countries. In the United States, the major required changes are increases and improvements in investments in education and training, an effective school-to-work transition, a worker adjustment system, and the capacity for lifelong learning on the job. Canada has made progress on investing in workers, but labor flexibility could still be improved. Japan and many European countries have already put into place some of these work force investment systems. But other, relatively inflexible labor policies and wage-setting restrictions in these nations hinder both the incentives of the unemployed to find jobs and the incentives of employers for job creation. In Europe, the emphasis should be on reducing restrictions on wage setting and employment adjustment and in improving active labor market policies to quickly move the unemployed into new jobs. A stronger macroeconomic situation in Europe will greatly enhance the effectiveness of these structural policy reforms. Japan can improve its macroeconomic policies and move to a more entrepreneurial and flexible system that reduces hidden unemployment. All of these possible policy improvements will be discussed in Secretary Reich's session.

Thus, all G-7 countries need to think about improvements in policies to facilitate transitions from school-to-work, work-to-work, and unemployment-to-work. All G-7 countries need to maintain a commitment to an open world trading system. But competition should be based on investments in quality and innovation with workers viewed as assets to be invested in and not just costs to be minimized.

All of the G-7 nations, indeed all of the world, are looking for solutions to the macroeconomic, trade-related, technological, or labor market problems associated with adjusting to the realities of a new world economy. Through the Jobs Conference, we hope to address these policies through a frank and substantive discussion of our experiences in all of these areas.

Figure 1
Employment Growth and Technology Use 1982-87*
 (in percent)

		Technology Use			
		<i>Lowest</i>			<i>Highest</i>
		1	2	3	4
Firm Size	<i>Smallest</i>				
	1	55.2	67.6	79.6	218.3
	2	3.8	15.6	29.4	54.0
	3	-12.5	3.6	9.3	35.9
	4	-27.3	-8.3	-3.3	10.3
	5	-14.5	-26.3	-18.9	-2.0
	<i>Largest</i>				

* Sample of 8,800 manufacturing plants that were in existence over the period 1982-88. Changes in employment do not include jobs lost due to the closure of existing plants or jobs created by the opening of new plants over the period.

Source: U.S. Department of Commerce, Bureau of the Census

PRELIMINARY

G-7 COUNTRY MINISTERS ATTENDING
THE JOBS CONFERENCE

Germany	Guenter Rexrodt Norbert Bloehm Theo Waigel	Economics Labor/Soc Affairs Finance
Japan		
France	Alphandery Giraud Yves de Silguy Anne Lauvergeon	Economics Labor PM's office Presidents office
Italy	Pietro Barucci Gino Giugni	Finance Labor
UK	Kenneth Clark David Hunt	Finance Employment
Canada	Lloyd Axworthy John Manley Paul Martin Roy Maclaren	Human resources Industry Finance Trade
EC	Henning Christopherson Padraig Flynn	Economics Social

NOTES ON U.S. INITIATIVES PROPOSALS

The consensus of views from G-7 capitals is that the fundamental purpose of the conference is to share ideas, learn what policies have and have not worked, and increase public understanding and support for sometimes difficult policies. This stems from the reality that there is no single answer that is appropriate for all the G-7, that there is no easy solution the conference will produce, and to avoid raising expectations that the conference cannot fulfill.

There is however interest in pursuing a number of small initiatives that are worth doing in their own right, might help give substance to the somewhat abstract purpose of the conference, and do not require any centralized monitoring or follow-up. A few small initiatives might also help us avoid criticism that ministers merely talked without agreeing on anything, while millions remain without jobs. We also think that growth and employment will be a central issue at this year's Naples summit, and we would like to provide our leaders with a mechanism to pursue discussion on growth and employment at Naples.

We have therefore developed a few small initiatives that may fit the above interests and constraints. Our proposal would be to discuss them as appropriate in the sessions, and merely note them (without necessarily an in-depth explanation) in the concluding chairman's statement.

In order to accomplish this, conference participants would have to agree on the major outlines of the initiatives prior to the conference. As less than three weeks remains, this will require extra effort if we want to pursue them. Although, a meeting would facilitate the process, we think all of the contact points would be reluctant to add yet another international meeting to their busy calendars. Therefore, we ask for your immediate reaction to both the general concept and specifics of the list. As the substance of the list is quite restrained, we hope that the initiatives, if any, could be agreed to through a number of shared drafts, followed by discussion among the contacts points at the conference. They could be formally approved by ministers in the chairman's statement.

We have not heard any responses to our January 24 letter indicating that other conference participants want to propose additional ideas. If this is not the case please let U.S. contact point Robert Fauver know of this immediately.

We look forward to hearing your thoughts.

JOBS CONFERENCE INITIATIVES

1. Success Stories.

The G-7 summits have suffered from the fact abstract discussions of macroeconomics has left the public cold and disenchanted with technical communiques. In order to ameliorate this, we would like each country bring a written "story" or example of a policy, program, reform or event that demonstrates that we can successfully respond to employment related issues. The "stories" would be discussed as appropriate during the conference. At the end of the conference, the stories could be released to the public together.

This would strengthen the public education aspect of the conference, and help build support for often difficult reforms. It would also effectively translate complex issues into readily understandable terms for our publics, and help send a hopeful message that governments, with workers and companies, can and are trying to do something about unemployment.

We ask that the overall message of the story be positive, but it could underline areas for future improvement. The stories (about 5 pages in length) should also reflect market principles, and if possible show the public and private sector working together.

2. Employment Principles.

The G-7 Jobs Conference will provide Ministers an opportunity to compare their experiences in using macroeconomic, trade, technology, and labor market policies as a tool for jobs creation. We expect that the discussions will result in a deeper and broader, shared understanding of the guiding principles regarding policy approaches that are likely to be successful in each of these areas.

The G-7 governments could use their discussions in the Jobs Conference as the basis for later drafting a brief set of principles to frame economic and social policies toward unemployment and job creation. Given the diversity of specific reforms needed across countries, agreement on principles might be a useful way to grapple as a whole with our joint problems in reducing unemployment, pursuing structural reforms, and improving their economies abilities to create jobs. They might help give form to the substantive discussion of the conference.

The principles would not be drafted at the conference. Instead ministers would agree to language in the chairman's statement that, in view of the shared experience of the jobs conference, they would draft a set of principles to be delivered to leaders for consideration at the Naples summit. The principles could then be used by the leaders to discuss growth and unemployment issues, likely to be a major issue at Naples. Furthermore, the statement of principles could be considered at the Summit for adoption as a

guideline for developing jobs creation policies in each nation.

3. Information Economy Task Force

Each of the G-7 governments faces, in various forms, the issues raised by the rapid advance of various digital technologies and their wide-ranging effects on their economies. The transition to an "Information Age Economy" offers the possibility of greater productivity and economic performance as these technologies become an integral part of the provision of goods and services. Thus, they have the potential to trigger a new wave of economic growth and job creation. But, given the sweeping changes they portend, they raise the prospect of the dislocation of workers, firms, and communities that is often associated with economic change.

Given this common opportunity and predicament, the G-7 governments could establish a "Task Force on the Information Economy" led by Industry Ministers and other Ministers, to prepare an analysis of the economic policy issues raised by this transformation. The Task Force should prepare a report to the July G-7 Summit that might address the following issues:

The nature of the effects that the "Information Age" is having on our economies, including their ability to produce non-inflationary growth, to be innovative, and to generate employment and security for workers;

The implications of the associated technologies for changes in the way private sector firms organize themselves and the implications of that reorganization;

The appropriate roles for the public and private sectors in developing the infrastructure appropriate to the leading role of digital technologies;

The ways in which governments can act now to assure open trade in information products as these expand as a share of our economies; and,

The ways in which policies might address these structural changes, including technology programs, trade policy, investment or other tax incentives, policies that concern corporate governance or capital provision, and employment and training policies and labor law reform, among others.

4. Job Creation/Job Loss Data Initiative

Much can be learned by comparing the interaction between both institutional and policy based differences in the structure of labor markets and labor market performance across G-7 countries. One place in which such comparisons are difficult, because of the lack of comparable data and the uneven level of analysis across countries, is the dynamics of job creation and job loss at the

level of individual firms.

Research in this area on the U.S. and Canada suggests that this type of analysis can give us a much better understanding of labor market turnover in general, as well as new insights into such important questions as the impact of the adoption of new technologies on job creation and wages, the relationship between trade and labor demand and wages, and the effect of takeovers and other corporate restructuring on productivity and jobs.

G-7 governments could establish a committee, composed of representatives from the relevant national and international statistical agencies, to promote the development of data and research on job creation and loss at the level of establishments. At a minimum this committee should develop a set of definitions and standards so that future research in this area will be more comparable across countries. The committee could develop a set of proposals to expand the data available for such research in three specific areas: higher frequency data needs to be developed; better linkages between establishment data and data from labor market surveys need to be built; and coverage outside manufacturing needs to be expanded. Finally, the committee could develop proposals for comparative research projects on policy relevant topics such as the impact of labor market policies, trade, and technology on job creation and job loss.

5. Work Study Program for Training Practitioners

Under this initiative, each G-7 member government could send a team of employment experts and practitioners to one or more of the other member states to observe and learn about the employment policies and training programs there.

The program would be coordinated by each country's Ministry of Labor, but could include other ministries and the private sector. The Ministry would designate a senior official to serve as a point of contact and to coordinate the visits.

As a first step, each Ministry would assemble a package of information describing the government's employment and training policies and programs. This information would be shared with the other Ministries. Officials in each Ministry would review the materials and decide if there are particular programs which they would like to examine in greater depth. Using the contact points, bilateral visits could then be arranged. Each visit would be tailored to meet the specific interests of the sending government. A visit might include in-depth discussions with the host government's policy makers and practitioners and site visits to observe particular programs in operation.

If appropriate a visit might also include meeting with state and local officials, academic experts, businessmen and labor leaders. Each country would be responsible for determining the size and composition of its team and for financing their team's travel.

G-7 Jobs Conference

Main themes in the Chairman's Statement

- o Industrial nations all over the world are grappling with similar problems: high unemployment, or non-employment, or disguised unemployment.
- o In continental Europe and Japan unemployment rates are still rising--though Japan continues to have the lowest recorded level of unemployment in the G-7.
- o This conference gave all of us--labor and industry ministers in addition to finance and economic ministers--a better level of insight into the concerns and conclusions of our counterparts in other countries.
- o We have learned much from each other. What we have learned will help us run better programs and policies. We found agreement, on many issues, including:
 - o Structural reforms to increase labor market flexibility, make work pay for all workers--especially the less skilled in our countries--and open doors of opportunity are necessary in all of our countries.
 - o Structural reforms will be productive only if complemented and supported by appropriate macroeconomic policies.
 - o International trade is a source of wealth, of jobs, and of higher wages. Remember that the last round of global trade restriction occurred at the start of the Great Depression.
 - o The new technologies of the information-processing revolution have the potential to greatly multiply our wealth, if we can successfully adopt them while our labor forces train themselves to handle modern information technology.
 - o Different countries have served as positive examples, as pathbreakers showing how policies could attack the problems of unemployment.

GUIDELINES FOR CHAIRMAN'S STATEMENT

1. Major themes in chairman's statement have now been distributed to G-7 countries prior to the conference for comment.
2. G-7 participants should fax any comments on the themes to the U.S. contact point, Robert C. Fauver (202-456-6487).
3. There will be a meeting of G-7 contact points just prior to the start of the conference on Sunday evening, March 13, to review any outstanding issues including the chairman's statement. The latest version of the statement, incorporating G-7 comments will be distributed at that time.
4. After the first day of the conference, contact points will meet again on Monday night, March 14th, to review a draft text of the chairman's statement.
5. The chairman's statement will be distributed at the working lunch on the second day for approval by ministers, and released at the concluding press conference.

NOTE ON PRESS GUIDELINES:

During the conference, normal G-7 press rules will be used. That is, the general content of the conference may be characterized, and specific statements by one's own ministers may be described. However, statements about other countries' participants or positions may not be made.

We ask that press briefings, while the conference is taking place, be minimized to preserve the integrity of the conference.

G-7 Jobs Conference
Logistics Information

1. Point of Contact. Tony Das, Executive Secretary, US Department of Commerce, 14th and Constitution Ave., NW, Washington, DC, 20230. Telephone 202-482-3934. Note that Monday, February 21st is a national holiday. Starting February 22nd, he will be available to help facilitate any arrangements.
2. Hotel. All delegations should stay at the Westin hotel. The hotel address is Westin Hotel Renaissance Center, Detroit, Michigan, 48243, USA, telephone 313-568-8200 or 1-800-228-3000. We are sorry to say that each country will be responsible for assuming the costs of hotel rooms.
3. Conference Location. The conference will be held in COBO Hall, three blocks from the Westin hotel.
4. Staff room. Each delegation will have a staff room at COBO Hall, from Saturday, March 12th through Tuesday, March 15th. Each room is approximately 1000 square feet. They will be equipped with phones.
5. Office Equipment. We will address your computer, fax, phone, copying, and other administrative needs. We would like to know what your requirements are, and will be following up with a more specific survey.
6. Transportation. Ministers and senior delegates will be met at the airport. We will also provide transportation throughout the event.
7. Translation. The Conference sessions will have simultaneous translation. We will also make arrangements for whisper interpretation at the working lunches. We would be interested in knowing whether your ministers require interpretation for purely social events.
8. Press room. We expect to be able to provide you with a press room, in addition to the staff room previously mentioned. We would appreciate if you could let us know of your expected press needs.
9. Security. If you have special security needs for your ministers please advise us immediately.
10. Information from you: We need to know your a) arrival dates and times, b) delegation lists, c) office equipment needs, d) translation needs, e) expected press interest, f) and special dietary requirements of your ministers. Please contact Tony Das with this information.

G-7 Jobs Conference Fact Sheet

- Who attends. All the G-7 Countries (France, Germany, Italy, UK, Canada, US, Japan), and the European Union have agreed to send 2-4 ministers from Labor, Finance, Trade & Industry, and Social Affairs Ministries. FYI only: The President has also invited EU Commission President Delors in his private capacity. No other G-7 heads of state will attend. Non-G-7 countries and international organizations will not attend.
- What. The ministers will share ideas and learn from one another's experiences in the effort to address the common challenge of creating high wage jobs.
- Where. Detroit, Michigan. Hotel, conference, dinner and President's speech locations are being considered, with most decisions likely by February 16.
- When. March 14-15. All the G-7 Countries and the EU have committed to attend.
- Agenda. 1 1/2 days long. The President will open up the conference with an address. There will probably be four sessions, with Secretaries Bentsen, Brown, Reich, and CEA Chair Tyson serving as host moderators. There will be 2-3 "lead presentations" by non-US ministers in each of the sessions.
- Chairman's Statement/Press Conference. At the end of the conference, the US will present a chairman's statement at a press conference.
- Press. There will be no direct press coverage of the conference sessions. The President's opening speech and the Chairman's closing statement will be open to the media.
- Outreach. Outreach to business, labor, academic and other representatives is being conducted primarily at the Departmental level in advance of the conference.
- Presidential Participation. The Presidential address is on the President's calendar for March 14th. Additional conference-related or Detroit-area events are possible.
- Conference not Summit. Using the term "Summit" is misleading, since in international context it refers to a heads of state meeting and larger outcomes. The purpose of the conference is to learn from one another and move beyond old remedies.