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**Strengthening the International Employment Regime**

Although the idea of coordinating national employment policies goes back to the beginning of the 20th century, little progress has occurred in recent decades. The purpose of this article is to explain why such coordination is needed and how it should be accomplished.

Joblessness is a serious problem in many parts of the world. In the European Union, the unemployment rate for 1994 was 11.5%. In OECD countries, the average rate was 8.1%. In many developing countries, the situation is worse. Eastern Europe, the Caribbean, the Middle East and parts of Latin America all suffer from a poor utilization of human resources. Globally, over 120 million workers are unemployed and another 700 million are underemployed.

Worker redundancy has been a recurrent feature of industrialization. While change is inherent to the process of growth, there are high costs to lingering dislocation. Disemployed individuals are deprived of esteem and self-fulfilment. Families and communities lose cohesiveness. Governments get overburdened and overextended in holding out social safety nets.

Although all countries face many of the same dilemmas, unemployment is generally treated as a domestic rather than an international issue. We often speak of France's unemployment problem, or Canada's, as if these were distinct phenomena. Even in the European Union, where the Maastricht Treaty now calls for the promotion of a "high level of employment", the concept of a European employment policy is still a distant goal.

Many analysts seem to doubt the efficacy of an international policy on employment. Even a liberal economist like Paul Krugman has asserted that "The truth is that each of the major industrial countries is on its own as far as job creation is concerned." Those who want to encourage more international cooperation need to make a better case for it.

Policymakers need to start thinking about employment as an international issue. As economic globalization increases, labour markets in one country are more likely to be affected by policies in other countries. Expanded trade and investment flows can delimit the economic policies that governments are able to pursue. Of course, employment will also remain a national issue so long as countries retain border barriers to the movement of workers. It will be a long time before international rules are obtained against discrimination and quotas in immigration policy.

Although the idea of coordinating national employment policies goes back to the beginning of the 20th century, little progress has occurred in recent decades. In some ways, there has been retrogression. The purpose of this article is to explain why such coordination is needed and how it should be accomplished. I will propose new initiatives for international organizations.

**Why Coordinate Employment Policy?**

Although analysts often speak about “exporting” unemployment, it is important to remember that this is only a metaphor. The transmission of physical externalities across national borders (e.g., pollution) does present a problem of international (or regional) policy. But a market-based externality, whether bad...
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(e.g., inflation) or good (e.g., innovation), does not make coordinated policy responses absolutely necessary.

There are two types of inter-country coordination—"essential" and "mutually reinforcing". Essential coordination is a response to situations of high trans-border externality where unilateral solutions will be unsuccessful. Preserving the ozone layer, fighting highly infectious disease, and avoiding exchange rate instability are examples. Mutually reinforcing coordination is a response to situations where countries can fruitfully act in a unilateral matter, but will achieve more if they act in concert. Liberalizing trade, controlling narcotics, and protecting intellectual property are examples.

Employment policy coordination is the latter type. Countries can take useful steps individually, but cooperation with other countries can lead to mutually beneficial outcomes. The value-added from employment policy coordination is both economic and political.

Economic value-added occurs when harmonized (or converging) policies yield better results than uncoordinated policies. For example, countries in recession may act together to stimulate their economies in order to boost aggregate demand. The avoidance of monetary actions (e.g., currency depreciation) that shift burdens to other countries is another reason for policy coordination.

Political value-added occurs when parallel actions in a group of countries make it easier for governments to adopt the proper policies (and avoid the improper policies). For example, governments can agree to regulate an occupational hazard in unison so that these actions do not undermine any country's competitive advantage. The international commitment provides cover to national politicians.

In determining the proper level for carrying out employment policy—viz., sub-national, national, or international—one should start by considering the type of policy involved. There are several components of employment policy, including macro-economic factors, taxation, labour-management regulation, and employment services. There may be a few areas of employment policy where uniformity would be desirable (e.g., labour statistics). But for most areas, the shallower approach of coordination or cooperation will be sufficient. Coordination can be useful when national policies work at cross purposes. For example, governments can act together to stimulate demand. Cooperation can be useful when one government develops a more effective programme and others learn those techniques. Such transnational mimesis can be facilitated by an international regime as well as by regulatory competition.

Whereas diplomacy once centred upon "foreign" policy, nations now engage in negotiations over a wide range of "domestic" issues. Any division between international and internal issues is subject to rethinking from one decade to the next. In 1932, for example, US President Herbert Hoover vetoed a bill calling for an inter-governmental conference on trade on the grounds that "tariffs are solely a domestic question." Today, Hoover's stance would seem hopelessly narrow-minded. Fifty years from now, some current assumptions about the interpenetration of domestic and international issues might look equally quaint.

Trade and Employment

Perhaps the best exemplification of the political value-added from policy coordination is the trade regime. Governments agree not to use trade policy (e.g., tariffs and quotas) in exchange for similar commitments by other governments. Trade "concessions" are carefully negotiated in order to maintain a balance among members. Countries tend not to offer too many concessions for fear of losing market share.

The typical approach to trade policy today is neo-mercantilist. But instead of trading for gold, as the original mercantilists did, the neo-mercantilists trade for jobs. As seen from this perspective, exports create jobs and imports destroy them, so a trade surplus is far superior to a deficit.

During the recent trade debates in the United States, both sides have used "jobs" to support their preferred trade policy. For example, US Secretary of Commerce Ron Brown describes the Commerce department as a "job-creating machine" because of its export promotion and advocacy programs. But US presidential candidate Pat Buchanan worries that