

programs in industry are highly developed, the youth unemployment rate is below 10 per cent and only slightly higher than among adults. This suggests that summit countries can learn by sharing their experiences in designing and implementing effective labour market policies.

### **THE OECD STUDY ON EMPLOYMENT AND UNEMPLOYMENT**

Unemployment is currently the subject of a major study by the OECD. This two-year research project is intended to provide specific policy recommendations to governments. OECD Secretary General Jean-Claude Paye presented an interim report to OECD ministers on June 2 and 3.

The report provides policy suggestions that will help countries benefit from and cope with the changing demands of the workplace, including technological change and globalization. It poses three challenges for governments: first, to put in place macroeconomic policies aimed at achieving a sound, stable, predictable economic environment; second, to adopt structural policies that support the process of adjustment to change and the transition to more skill-intensive economies; and third, to design social assistance programs that achieve social objectives without inadvertently affecting the functioning of labour markets.

On macroeconomic policy, the report recommends that governments reduce budget deficits. This will exert downward pressure on long-term interest rates and create conditions that are favourable to stronger investment and higher employment. Improving the efficiency and effectiveness of public sector spending and taxation is also recommended.

The report views structural reforms as an essential complement to sound macroeconomic policies. Training, retraining, and education are recommended to prepare individuals for high-wage, high-productivity jobs. These, and other reforms to make labour markets function more smoothly, are intended to improve the "adaptive capacities" of economies.

The report also recommends that social assistance programs and taxation be re-examined. It warns that social benefits, in conjunction with high effective marginal tax rates, tend to create "dependency traps."

### **POLICY MEASURES IN CANADA**

Canada has put in place the appropriate medium-term macroeconomic policies. Substantial and sustained declines in inflation, combined with a firm commitment by governments at all levels to reduce budget deficits, are helping to bring down interest rates. This, in turn, will stimulate growth and investment.

The Canadian government has also taken a broad range of actions to increase Canada's global competitiveness, including deregulation, tax reform, the Canada-U.S. Free Trade Agreement, the negotiation of the North American Free Trade Agreement and increased support for science and technology. Gains in productivity and competitiveness, together with improved access to foreign markets, have supported a strong export performance. This is providing a solid foundation for growth and job creation.