The Effects of Trade on Employment: A Social Perspective

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Trade and Employment: Links

Trade

• Export opportunities
• Access to foreign intermediate inputs
• Technology diffusion

• Import competition
• Pressures for reallocation

Labour Market

Active & passive labour-market policies

Labour law & standards

Spillovers

Social insurance & assistance

Jobs

• Quantity
• Quality

Social Outcomes

• Inequity-Equity
• Dependence-Autonomy
• Instability-Stability

Sustainability
ILO Publications on Trade and Employment


Globalization and Informal Jobs in Developing Countries (2009)

Trade and Employment in the Global Crisis (2010)

Making Globalization Socially Sustainable (2011)

Trade and Employment: From Myths to Facts (2011)

Shared Harvests: Agriculture, Trade, and Employment (2012, forthcoming)
1. The effects of trade on employment are **specific** to countries, industries, and workers.

2. Trade policies **interact** with labour market institutions in determining outcomes for workers.

3. Trade reforms affect **informal workers** who are linked to global supply chains.

4. **Volatility** in global markets is likely to have long-term effects on employment.

5. The costs of **adjustment** to trade liberalization can be substantial for certain workers and adjustment policies have an important role in helping these workers.

6. **Agricultural trade and productivity** can have an important impact on the majority of workers in developing countries.
Specificity of Effects of Trade on Employment

- **Country specifics** determine how and to which extent trade liberalization is translated into employment.

- Employment gains from trade depend on national and sectoral institutions.

- The **mobility and skills profile of workers** also determine the levels and composition of employment following trade liberalization.
The Interaction of Trade Policies and Labour Market Institutions

- **Trade reform** can improve or worsen compliance with **labour standards**.

- Changes in **labour standards** can increase or reduce **trade** (but the effect is small).

- By raising **income per capita** (living standards), **trade openness** can improve **working conditions** (pay, hours, job safety).
Trade Reforms and Informal Jobs

- Many informal workers are directly or indirectly engaged in global supply chains.

- In some instances, trade reforms have increased informality in the short term.

- Globalization can enable formalization processes while raising wages over the longer term.
Volatility in Global Markets and Employment

- **Exposure to global markets** makes workers more vulnerable to **global economic crises**

- **Volatility** in global markets can have **long-term economic effects** through impact on investment decisions

- **Trade shocks** have often increased pressure on nominal wages, partly by undermining the **bargaining position of workers**
Volatility in Global Markets and Employment: The Case of Cambodia

In 2008-2009 crisis, about 70,000 workers lost their jobs and many more had lowered incomes as factories shut down or downsized. But recovery was rapid. Many workers returned to work, but often on less favourable terms (Chandrararot, Sina, and Dannet, 2009).
## Adjustment Policies to Trade Liberalization

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### Specific trade adjustment policies

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Impact of agricultural productivity growth on the structure of employment in a representative developing country
Thanks for your kind attention!

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