



Assessing and Addressing the Effects of Trade on Employment

Summary

The effects of trade and trade liberalization on employment is analysed in this project. It aims to support the formulation of effective and coherent trade and labour market policies that address the adjustment challenges that workers and employers face and expand opportunities for the creation of decent employment in developing countries. Actions are taken at the global level and in four pilot countries, to strengthen the capacity of policy makers, researchers and the social partners to assess, address and monitor the effects of trade on employment. The project is implemented by the International Labour Organization and is funded by the European Union.

Growing international trade and foreign direct investment have important effects on employment and working conditions. An adequate awareness and understanding of these effects is essential to formulate effective national employment strategies in today's globalizing world, as well as in identifying feasible policies at the international level that could facilitate employment promotion. The project seeks to promote a fair globalization by supporting the efforts of developing countries to take effective action to address any effects that might arise from trade related adjustment and to take advantage of potential opportunities for the creation of decent employment.

Main objectives of the project

1. Develop global knowledge tools that can support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners.
2. Strengthen the capacity of policy makers, researchers and the social partners in pilot countries to assess the effects of changes in trade policy on employment and to design effective and coherent policies that enable countries mitigate any negative effects and expand employment.

The project started in 2009 and runs until 2013. It is implemented by ILO's Employment Sector in close collaboration with the ILO-ITC that develops and conducts training courses and the ILO country offices in the four pilot countries

Bangladesh

Guatemala

Benin

Indonesia

For more information please visit the website <http://www.ilo.org/trade>

Comprehensive Project Description

1. DESCRIPTION

1.1 Title

Assessing and addressing the effects of trade on employment

1.2 Location(s)

The project will develop global knowledge tools on the basis of at least four country pilots from the following regions:

West Africa
East Africa
The Caribbean
Central America
Southern Asia
Southeast Asia

1.3 Cost of the action and amount requested from the European Commission

Total eligible cost of the action	Amount requested from the Contracting Authority	% of total eligible cost of action
EUR 3,397,590	EUR 3,227,710	95,00%

1.4 Summary

The proposed project will develop global knowledge tools that can support the formulation of coherent trade and labour market policies that address the adjustment challenges and expand opportunities for the creation of decent employment at the national level, based on sound data and diagnosis and with the involvement of the social partners. Actions will be taken at the global level and in at least four pilot EC partner countries, to strengthen the capacity of policy makers, researchers and the social partners to assess, address and monitor the effects of trade on employment.

Duration of the action	48 months
Objectives of the action	<p>Overall objective: <i>The project aims to support the analysis of effective and coherent trade and labour market policies that address the adjustment challenges that workers and employers face and expand opportunities for the creation of decent employment in developing countries.</i></p> <p>The specific objectives of the project are:</p> <p>Specific objective 1: Develop global knowledge tools that can support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners.</p> <p>Specific objective 2: Strengthen the capacity of policy makers, researchers and the social partners in pilot countries to assess the effects of changes in trade policy on employment and to design effective and coherent policies that enable countries mitigate any negative effects and expand employment.</p>
Partner(s)	
Target group(s) ¹	Government officials, staff in statistical offices and research institutions, trade union representatives, employers' organizations, civil society, regional institutions.
Final beneficiaries ²	ILO member states, workers and employers.
Estimated results	<p>Global knowledge tools will be developed that support the efforts of policy makers and the social partners to assess the effects of changes in trade policies on employment and to design effective and coherent policies to address the adjustment challenges and promote decent employment.</p> <p>Policy makers, social partners and other relevant institutions in at least four developing countries will be supported to assess the effect of trade on employment and to design effective and coherent policies that respond to the adjustment challenge and promote decent employment.</p>
Main activities	<ul style="list-style-type: none"> • Review existing literature on trade and employment and available analytical tools for assessing the effects of trade on employment. • Meeting of international experts to review experience. • Develop global training modules. • Train specialists from relevant government departments in the pilot countries and other national and regional institutions to assess the effects of changes in trade policy on employment. • Train the social partners on the effects of trade and employment. • Establish a policy working group to facilitate policy coherence. • Conduct assessment / study of the effects of trade on employment

¹ "Target groups" are the groups/entities who will be directly positively affected by the project at the Project Purpose level

² "Final beneficiaries" are those who will benefit from the project in the long term at the level of the society or sector at large

	<p>and of complementary labour market policies and strategies to address the employment effects.</p> <ul style="list-style-type: none"> • Tripartite social dialogue between relevant policy makers, representatives from employers' organizations, trade unions and other institutions on the outcomes of the assessment / study. • Formulate policies, strategies and programmes to facilitate adjustment and enhance opportunities for employment creation.
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1.5 Objectives

The project will seek to promote a fair globalization by supporting the efforts of developing countries to take effective action to address any negative effects that might arise from trade related adjustment and to take advantage of potential opportunities for the creation of decent employment.³ It will facilitate consideration of the interaction between trade and labour market policies and support the design of effective, coherent and complementary policies.

Overall objective: *The project aims to support the analysis of effective and coherent trade and labour market policies that address the adjustment challenges that workers and employers face and expand opportunities for the creation of decent employment in developing countries.*

The specific objectives of the project are:

Specific objective 1: Develop global knowledge tools that can support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners.

Specific objective 2: Strengthen the capacity of policy makers, researchers and the social partners in pilot countries to assess the effects of changes in trade policy on employment and to design effective and coherent policies that enable countries mitigate any negative effects and expand employment.

1.6 Justification

1.6.1 Relevance of the action to the objectives and priorities of the programme

Trade integration can produce benefits in terms of growth, employment and the reduction of poverty. However, existing evidence suggests that the gains will depend, among other factors, on the ability of economies to successfully adjust to the changes brought about by trade integration.

Reform of trade policy is expected to trigger a process of economic restructuring involving both job creation and job destruction. However, experience suggests that in the immediate period following trade liberalization, job destruction rates can be expected to proceed at a faster pace than job creation rates.⁴ While the social costs of adjustment are likely to be immediate, the gains in terms of new employment opportunities may take longer to materialize. In addition, the transition of workers from the informal economy and from declining sectors and firms to more dynamic parts of the economy may not be straightforward. New employment opportunities may demand different skills and productive capabilities.

Apart from the costs related to adjustment, the quality of continuing jobs may also be affected, such as when permanent workers who enjoy the protection extended by formal labour

³ See: *A fair globalization: Creating opportunities for all*, Report of the World Commission on the Social Dimensions of Globalization, ILO, 2004. The report argued that a fair globalization begins at home, with effective actions to strengthen economic capabilities, maximise employment opportunities and raise productivity and incomes.

⁴ Rama, Martin, 2003. *Globalization and Workers in Developing Countries*, Policy Research Working Paper 2958, World Bank.

regulation are replaced with temporary workers with limited rights or working in the informal economy through a process of subcontracting.

Reviews of the available evidence to date suggest that the net employment effects of changes in trade policy depend on a large number of country specific factors including the availability of skills, the employment structure and functioning of labour markets.⁵

Many developing countries lack the skills and productive capabilities that would enable them to take advantage of new economic opportunities and the potential these opportunities hold for employment creation. In addition, many of the labour market policies and institutions that other countries have relied upon to facilitate adjustment and mitigate the costs - such as unemployment insurance, employment services and training scheme - are weak or non-existent in developing countries.

The Investing in People Thematic Programme notes that “sub-standard working conditions, ineffective labour markets and a shortage of skills and training pose challenges to sustainable economic growth, productivity and integration into the world economy and can carry a high risk of poverty.” It also notes that in many countries, social security systems may either be scarce, unequal or under-funded offering little insurance to workers that are temporarily displaced during periods of economic restructuring.

The fourth pillar of the thematic programme addresses the advancement of employment, decent work and social cohesion in the EC’s partner countries. To this end, the programme supports an integrated approach that combines economic competitiveness with social development as the most effective way to address inequalities and reduce regional asymmetries. It seeks to add value by supporting the development of methods to monitor and assess progress on employment, decent work and social cohesion in EC’s partner countries, identifying good practice and supporting a global policy dialogue between governments, social partners and other relevant stakeholders.

This action aims to promote the advancement of employment, decent work and social cohesion in EC partner countries by assisting policy makers and other stakeholders in these countries to anticipate the effects of trade reform on employment, design and implement effective policies and strategies to address these effects and monitor progress in promoting decent employment.

Effective and coherent policies can play an important role in mitigating the negative effects of trade-related adjustment and in enabling countries to take advantage of potential opportunities that access to other markets holds for employment creation and increased incomes. However, policy makers need to be able to anticipate the impact that new trading arrangements are likely to have on labour markets in order to formulate a complementary labour market policy agenda. Policy makers also need to consider the interaction between trade policies and labour market policies to ensure greater policy coherence.

The project aims to promote the advancement of employment, decent work and social cohesion in EC partner countries by assisting policy makers and other stakeholders to anticipate the effects of trade reform on employment and to design and implement effective policies and strategies to address these effects and monitor progress in promoting decent employment.

1.6.2 Identification of perceived needs and constraints in the target country/ies, in particular in the region(s) concerned.

EC partner countries face a number of challenges and possible changes in the global trading environment. These include the risks associated with commodity price volatility; a possible

⁵ See Joint ILO / WTO Report, *Trade and Employment: Challenges for Policy Research*, 2007; Winters, A. and Hoekman, B., 2005, *Trade and Employment: Stylized Facts and Research Findings*, Policy Research Working Paper 3676, World Bank; Pavcnik, N. and Goldberg, P.K. 2004, *Trade, Inequality and Poverty: What do we know? Evidence from recent trade liberalization episodes in developing countries*, NBER Working paper 10593.

agreement in the Doha Round of negotiations at the WTO; the conclusion of Free Trade Agreements (FTAs) with the EU and other countries, increasing regional integration, increased competition from China and India; and for ACP countries, the likely conclusion of Economic Partnership Agreements (EPAs) with the EU in order to bring these trade relations into compliance with Article XXIV of the GATT at the WTO.

Countries in East Africa, West Africa and the Caribbean are among the group of ACP countries that can be expected to complete EPAs with the EU. Therefore, strong impacts on trading patterns and on employment can be expected. Impact studies to date suggest that while EPAs may be net welfare enhancing in Sub-Saharan Africa, they are expected to be net welfare reducing for the Caribbean. The implications of this for employment at the country level are not clear and need to be investigated further if effective policies are to be designed to address the adjustment challenges and to monitor progress with decent work. Other issues also have a bearing on efforts to promote decent employment, for example, the high degree of price volatility in agricultural commodities for SSA countries.

Many countries in these regions have not yet prepared labour markets for the increased demand that further liberalization may induce for certain skills. Solid knowledge of the changing demand for skills is critical if opportunities for employment creation are to be realized. In addition, income support measures that provide a social safety net in other countries, such as unemployment benefits, are not widely available. The fiscal impact arising from reduced tariff revenues is likely to place an additional constraint on social expenditure, and may have a direct impact on public sector employment. Many countries also face supply side constraints that prevent them from diversifying their export structure and reaping the associated benefits in terms of employment.

A high proportion of total employment in these countries is in the informal economy. To promote decent employment, trade reform needs to have a positive impact on the informal economy. However, existing empirical evidence on the relationship between trade liberalization and the informal economy is limited and inconclusive. Further investigation is needed if policy makers are to design trade and labour market policies in a manner that minimizes the negative impacts of trade reform on the informal economy and strengthens its positive impacts.

There is an urgent need to anticipate the impact that new trading arrangements are likely to have on labour markets, and to formulate a complementary labour market policy agenda and strategy to address these effects.

Challenges anticipating the effects of trade on employment

Anticipating the impact that changes in trade policy are likely to have on employment is a complex task in developing countries. Researchers face a number of issues in a developing country context including challenges related to data on trade, employment and decent work, the specification of measures of trade liberalization, the applicability of theoretical assumptions in many economic models and the difficulty in estimating the supply response and degree of integration.⁶

Trade and labour market data in developing countries (in particular time-series data) may be poor and unreliable. Even where good data exists, trade and labour market data may not be comparable making it difficult to match trade and employment data. Without sufficient and reliable data, it may be difficult to undertake empirical analysis linking trade and employment.

In addition to the challenges posed by the availability of data, there are a number of methodological challenges. Some of the assumptions made in economic models dealing with trade and employment have limited applicability in countries with a high proportion of employment in the informal economy and where access to information about job opportunities

⁶ See Pavcnik, N. and Goldberg, P.K. 2004, *Trade, Inequality and Poverty. What do we know? Evidence from Recent Trade Liberalization Episodes in Developing Countries*, NBER Working Paper 10593

is highly unequal, hampering the adjustment process. For example, with CGE models elasticities play a large part in determining the results. Many CGE models assume high elasticities, and this may not always apply to developing countries.⁷ CGE models may also be very sensitive to particular labour market assumptions. For example, assuming full employment versus segmented markets and unemployment may vastly change the outcome of the analysis. A CGE approach may also generate results that are too broad to indicate important impacts.⁸

Assessments of the likely effects of trade need to generate information in a timely manner and of sufficient detail and reliability to contribute to effective policy design. They also need to indicate potential trade-offs so that policy makers can enter into policy dialogue with different stakeholders and make informed policy decisions.

While it is difficult to evaluate the precise effects that changes in trade policy are likely to have on employment a number of different approaches and methodologies can be used to reach an informed conclusion. These may include Computable General Equilibrium (CGE) Models, Input-output analysis, Social Accounting Matrix (SAM) Gravity Models, Partial Equilibrium Models and Micro-simulations and more simple narratives using trade, output and employment data. The limitations of quantitative methods can be overcome by incorporating complementary qualitative approaches. A gravity model, a fairly robust method of analyzing trade liberalization, can be combined with surveys that gather industry specific data on employment.

The project will build the capacity of those conducting such analysis in both the pilot countries and globally to use the most appropriate techniques to estimate the employment effects for the purposes of policy development depending on available resources, the level of detail needed, the time horizon, data availability etc.

Criteria for selecting pilot countries

Given that developing countries differ significantly both in terms of economic activity and size, the global tools that will be developed to support the efforts of these countries to assess and address the effects of trade on employment will need to be piloted in a diverse sample of countries. To determine an appropriate combination of countries, a country selection process will take place. Initially, six countries of different sizes, economic structures and levels of development will be chosen.

Criteria for the country selection will include:

- i.) The significance of trade with the EU;
- ii.) The significance of changes in trade regime and the likely employment impacts;
- iii.) The availability of data of sufficient quality and comparability;
- iv.) Support and commitment by the policy makers in a country for a project to assess and address the impact of trade on employment;
- v.) The existence of an institutional basis for social dialogue.

The countries will be drawn from West Africa, East Africa, Central America, the Caribbean and East and Southeast Asia and will include both ACP and other EC partner countries. At this stage, possible country pilots include Burkina Faso in West Africa, Tanzania in East Africa, Jamaica in the Caribbean, El Salvador in Central America, Vietnam in Southeast Asia and Bangladesh in Southern Asia. A deeper investigation in these countries, along with scoping visits to ascertain political willingness, will further determine the final four pilot countries. The final four pilot countries will be jointly decided by the ILO and the EC.

1.6.3 Description of the target group(s) and final beneficiaries and estimated number

⁷ Vos, Rob, 2007, *What we do and don't know about Trade and Poverty Reduction?*, UN DESA Development Policy and Analysis Division

⁸ Taylor, L. and von Arnim, Rudiger, 2006, *Modelling the Impact of Trade Liberalization: A critique of Computable General Equilibrium Models*, Oxfam Research Report, Oxfam International.

Target groups: institutional development in pilot countries:

Government officials (including the Ministry of Employment, Ministry of Trade, Ministry of Finance and other relevant government departments): 120

Staff of intermediary labour market institutions: 40

Staff of regional institutions: 20

Staff in statistical offices and research institutions: 40

Trade union representatives: 40

Employers' organizations representatives: 40

Civil society representatives: 40

Final beneficiaries:

Workers and enterprises:

While it is difficult to estimate the numbers, workers and enterprises in pilot countries, either in the exporting or import competing sectors will be beneficiaries of improved policies which enhance their opportunities for employment or provide them with temporary assistance during periods of adjustment.

Institutional development in countries not included in the pilots:

While difficult to estimate, policy makers, researchers and trade union and employers' representatives and their members (i.e. enterprises) in countries not involved in the pilots will be able to draw on the knowledge and undergo training in relevant techniques and methodologies. They will also be able to draw on and learn from the comparative experience of policy interventions in other developing countries.

1.6.4 Reasons for the selection of the target group(s) and identification of their needs and constraints. How does the Action contribute to the needs of the target group(s) and final beneficiaries?

Government Officials

Policy makers need to have knowledge of the likely effects that further trade liberalization will have on labour markets in order to develop a complementary labour market policy agenda and ensure coherence between trade policy and labour market policy. However, they have limited capacity to conduct effective analysis of the policies and institutions needed to address the adjustment challenge and to build the productive capabilities needed to take advantage of potential employment opportunities. Faced with fiscal constraints as a result of a loss of tariff revenue, additional support will be needed to strengthen these institutions.

Staff of intermediary labour market institutions:

The capacity of intermediary institutions is often weak. Staff in labour market institutions such as employment services, training institutions, productivity centres need support with the implementation of policies and strategies designed to address the employment effects.

Staff in research institutions and statistical offices

Researchers and statisticians in developing countries face important constraints in terms of the quality and availability of data and problems with matching data. Given the complexities involved in isolating the impact of trade, and determining transmission channels to labour markets, the technical capabilities of staff in research institutions and statistical offices need to be improved in order to effectively assess and monitor the likely employment effects (including on the informal economy and gender).

Trade union representatives, employers' organizations representatives and civil society

Other actors often lack the information needed to participate in effective policy dialogue. Since they may represent constituencies that are suffering from the immediate short term costs of adjustment, the lack of information can be a source of considerable insecurity and lead to regressive policies. Enhanced information can facilitate social dialogue on the implications of further liberalization, and assist different interest groups to agree and design measures that will address the types of distributional conflicts that may be an obstacle to development. It is also important if greater coherence is to be achieved between trade policy and labour market policy.

Staff in regional institutions

Since regional institutions play an increasingly important role in trade, it is important to sensitize these actors to the efforts of pilot countries to consider and address the employment effects of trade policies. They will be included, along with the policy working group, in the first phase of the training on methods and techniques to anticipate the effect of trade reforms on employment.

1.7 Detailed description of activities

Activities for specific objective 1: Develop global knowledge tools that can support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners.

1.1 Review existing literature on the impact of trade on employment.

The project will commission a review of available literature on particular aspects of the relationship between trade and employment. The purpose of the review will be to consolidate knowledge on the key issues to be addressed in the country pilots and to identify the range of measures and policies available to take advantage of potential opportunities and mitigate any negative effects.

In addition to the general review of available literature, the project will also commission four papers on specific issues related to trade and employment in developing countries. These will include:

- i.) *Trade and gender*: This will consider the different effects of trade expansion on men's and women's employment and earnings. Given that men and women are often integrated into and participate in the labour force in disparate ways, the effects of trade on employment can be expected to be different.⁹ Increases in trade may reduce or encourage gender discrimination, in particular wage differentials.¹⁰ Since women tend to work in labour intensive sectors that may be particularly sensitive to import competition, they are likely to be disproportionately affected during periods of adjustment. It is important to develop analytical tools which would enable a deeper understanding of the nature of women's participation in the labour force, sectors that may be sensitive from a gender perspective and the likely impact of trade on gender. Trade expansion and reduction of gender inequality can be combined if an appropriate mix and sequence of trade and other economic policies is implemented.¹¹ A review of this literature could guide policy

⁹ Kucera, David, 2001, *Gender, Growth and Trade: The miracle economies of the postwar years*, Routledge, London.

¹⁰ Tran-Nguyen, Anh_Nga, and Beviglia Zambetti, Americo, 2004, *Trade and Gender: Opportunities and Challenges for Developing Countries*, UNCTAD

¹¹ Van Staveren, Irene , Cagatay, Nilufer and Elson, Diane, 2007, *The Feminist Economics of Trade*, Routledge. For consideration of gender issues in trade policy-making in the Americas and tools that can be used to address this

makers to formulate policies which ensure that women are not do not disproportionately bear the adjustment costs of trade and are able to take advantage of opportunities for employment and earnings.

- ii.) *Trade reform and the informal economy:* Given the high proportion of total employment in the informal economy in developing countries, there are important implications on the impact of trade liberalization on employment, inequality, and poverty. If trade is to be considered as an important development tool in developing economies, it should have a positive impact on informal employment. Yet this is an area where analysis has been limited.¹² A number of issues need to be considered. The first is how to transform the relationship between the informal and formal economy as the country goes through trade reform. Here, it may be necessary to gauge whether the increased trade competition will result in attempts to reduce labour costs by subcontracting production to informal establishments thus reducing formal sector employment (and wages) while simultaneously expanding the informal economy (and reducing wages). Alternatively, trade may result in the expansion of employment opportunities and the transition of workers from the informal economy into formal labour markets. The second is the role that labour market policies play in determining the how trade will impact on the informal economy, including labour market regulation and social protection. The aim of the review is to assist policy makers to frame trade policies aimed at minimizing possible negative impacts on the informal economy and strengthening the positive impacts.
- iii.) *Trade and adjustment assistance:* given the absence of social security nets in many developing countries and the fiscal constraints governments face, it is important to look at the types of adjustment assistance that have been extended to workers displaced as a result of trade in developing countries. Should this be targeted or integrated into broader labour market policies? Given resource and institutional constraints, what role can active labour market policies play in a developing country context? How can the effectiveness of job retraining programmes be enhanced?¹³ Studies highlight the importance of establishing a consultative national policy-making process to ensure a coherent approach to trade and structural adjustment implementing trade policies in the framework of comprehensive development strategies.¹⁴ How can social dialogue and other approaches be used to facilitate adjustment and coherent development policies?
- iv.) *Trade and diversification of the economic structure:* Given that many developing countries have not benefited in terms of faster economic and employment growth post trade liberalization, a review of diversification policies can help give insight on how to facilitate dynamism and growth. Some studies suggest that greater trade openness in a developing country context could lead to specialization meaning countries will experience growing export concentration rather than diversification.¹⁵ This may limit potential employment opportunities in other sectors. Countries also need to take account

issue see Coche, I. Kotschwar, B. and Salazar-Xirinachs, J.M. 2006, *Gender Issues in Trade Policy-Making*, a publication of the Organization of American States, Washington D.C.

¹² See Joint ILO / WTO Report, *Trade and Employment: Challenges for Policy Research*, 2007; Winters, A. and Hoekman, B, 2005, *Trade and Employment: Stylized Facts and Research Finding*.

¹³ For consideration of framework for analyzing labour market adjustment policies and summary of recent evaluations see Rosen, H. 2005, *Labour Market Adjustment to Multi-Fibre Arrangement Removal*, June 2005 prepared for the MFA Forum, available at http://www.mfa-forum.net/docs/rosen_mfa_adjustment.pdf.

¹⁴ Andersson, Jens, Bonaglia, Federico, Fukasaku, Kiichiro and Lesser, Caroline, July 2005, *Trade and Structural adjustment policies in selected developing countries*, OECD Development Centre, Working Paper No. 245.

¹⁵ Ben Hammouda, H., S.N. Karingi, A.E. Njuguna and M. Sadni-Jallab, 2006, *Diversification: towards a new paradigm for Africa's development*, African Trade Policy Centre, Work in Progress, No. 35, Economic Commission for Africa

of the pace and level of liberalization. Rapid liberalization may actually limit an economies' capacity to diversify. This review should assist policy makers in developing countries to consider the impact of trade on the economic structure and to identify strategies that might facilitate diversification, dynamic growth and the creation of employment.

1.2 Review existing methodologies for assessing the impacts of trade on employment.

The project will commission a study, the purpose of which will be to review available methodologies (both quantitative and qualitative) for assessing the impact of trade on employment and to explicitly develop recommendations for the ILO with regard to the appropriateness of each methodology for the purposes of policy analysis. This will include an identification of data sources and how the different methods have been applied in the literature (i.e. in previous studies). The review will also consider particular country constraints and situations that determine the use of one method over another. This might include: i.) resource availability and expense; ii.) time constraints; iii.) level of detail necessary to design effective policies (when is it too simple so as to be misleading or too complex to be useful for policy formulation); and iv.) data availability.

1.3 Organize an international meeting of experts to review their experience.

Experts from the regions, relevant EC Services, international experts from which studies / reviews have been commissioned and ILO experts will participate in an international meeting, the purposes of which will be to review experience in assessing and addressing the impact of trade on employment in order to guide the development of global knowledge tools.

1.4 Convert outputs from commissioned papers and meeting of experts into global training tools aimed at building the capacity of specialists, policy makers and representatives from employers' and workers' organizations in the pilot countries to assess and address the effects of trade on employment.

1.4.1 Outputs from the reviews of existing literature, as well as commissioned papers and the meeting of experts will be translated into training courses by a team coordinated by the ILO Employment Sector and including the International Training Centre of the ILO (ITC-ILO) and external consultants. The aim of the training is to build the capacity of policy makers, representatives from employers' and workers' organizations to assess and address the effect of trade liberalization on employment. Two types of training courses are envisaged:

- i.) Introductory training for technical specialists, including policy makers and researchers, on assessing the effects of trade on employment, including conceptual and methodological considerations.
- ii.) Training for the social partners on the relationship between trade and employment, including policy considerations.

1.4.2 These global training tools will be piloted in the countries participating in the project, adapted to the particular country situation.

1.4.3 The results of the training in each of the pilot countries will be evaluated and the global training tools revised on that basis. These global training tools will form part of future courses offered by the ILO.

1.5 ILO to draft edited book, based on commissioned papers and the meeting of experts of papers on trade and employment.

Activities for specified objective 2: Strengthen the capacity of policy makers, researchers and the social partners in pilot countries to assess the effects of changes in trade policy on employment and to design effective and coherent policies that enable countries mitigate any negative effects and expand employment.

- 2.1 Conduct scoping visits to pilot countries to consult with relevant EC services, government ministries, statistical offices, workers' and employers' organizations and other institutions to discuss the project, assess the issues, the scope of the study, the data requirements and the policy questions that need to be addressed in the study.

The purpose of the scoping visit will be to assess the issues and availability of data for the study, conduct a needs assessment for the training and assess the political commitment of the relevant government ministries to implement the conclusions and recommendations. On the basis of these scoping visits, the ILO and EC will jointly decide on the final list of country pilots to be included in the project. The ILO will also finalize those countries where statistical indicators to analyze and monitor the impact of trade on employment will be enhanced as part of the project on "Monitoring and Assessing Progress on Decent Work in Developing Countries".

- 2.2 Establish a policy working group (PWG) in pilot countries consisting of policy makers from relevant government ministries including the Ministry of Labour, Ministry of Finance, Ministry of Trade, ILO and relevant EC services.

The PWG will be given a periodic report on progress during the study and consulted on the policy recommendations in the final report and the design of a programme to respond to priority concerns. The reasons for establishing a PWG are to build consensus on the treatment of employment issues in the assessment; to facilitate coherence between trade and labour market policy; and to ensure political commitment to implement the conclusions and recommendations.

- 2.3 Organize training (one week) in the pilot countries for specialists from the relevant government departments, researcher organizations and other national and regional institutions on assessing the effects of trade on employment.

Training to pilot the global training tools will be organized by the project team together with the ITC-ILO and international experts. This will aim at building the capacity of policy makers and researchers to assess the employment effects of trade (see 1.4 above). The training will include conceptual, methodological and policy considerations.

- 2.4 Organize training for social partners (two weeks) in the pilot countries on the effects of trade on employment, including policy considerations.

Training to pilot the global training tools will be organized by the project team together with the ITC-ILO and international experts. This will aim at building the capacity of the social partners to engage in social dialogue (see 1.4 above)

- 2.5 ILO, international expert and researchers in the pilot countries to conduct study assessing of the effects of trade reforms on employment.

International experts together with researchers in the pilot countries will jointly conduct a study assessing the impact of potential trade reforms on employment issues, as identified in the country pilot during the scoping visit. These may include direct and indirect effects, the impact on income, on the quality of employment, on the informal economy and on men and women. The study will consider job losses likely to occur as a result of trade related adjustment and also consider the potential role of dynamic sectors in employment creation. Drawing on the menu of methodological approaches and considerations elaborated in objective 1, the study will use techniques most appropriate to the country situation.

- 2.6 ILO and international experts, together with researchers in the pilot countries to draft, publish and disseminate country reports on the effects that trade reform is likely to have on

employment. The reports will include proposals for complementary labour market policies and for achieving coherence between trade policies and labour markets policies.

A report of the study will be drafted by the ILO and international experts, together with researchers in the pilot countries. The report will include policy recommendations on how the pilot countries might mitigate any negative effects and expand employment. The report will also consider the interaction between trade and labour market policies and how best to achieve coherent and complementary policies that support the creation of employment.

- 2.7 Organize a national seminar in the pilot countries with relevant policy makers, representatives from employers' organizations, trade unions and other institutions to discuss the report and policy recommendations. The seminar should include local ILO staff, relevant EC services and donors.

The aim of the seminar will be to facilitate social dialogue on the effects of trade on employment and on possible strategies and policies needed to mitigate any negative employment effects and enable the social partners to take advantage of opportunities for the creation of employment. The seminar should identify priority sectors and issues that need to be addressed to promote decent employment.

- 2.8 Depending on the priorities identified during the seminar, policy makers, supported by the ILO, other technical specialists, relevant EC services and the donor community will formulate of policies, strategies and programmes to facilitate restructuring and support employment creation.

This may include: measures to establish or extend social protection; support for the implementation of complementary labour market policies and the strengthening labour market institutions; support for employment services; support for training and retraining programmes; assistance with micro-enterprise development; support for integrated sectoral strategies to facilitate restructuring, improve productivity, upgrade and/or diversify the economic structure.

A meeting will be held to brief donor countries of the priorities that have been identified and potential programmes in order to ensure coordination among the donors and the effective provision of assistance.

- 2.9 ILO to draft synthesis report including outcome of meeting of experts, country level assessments and learning gained during the pilots. The synthesis report will be disseminated throughout the ILO's headquarters and field office and structures and made freely available on the ILO website.

1.8 Methodology

1.8.1 Methods of implementation and reasons for the proposed methodology

In undertaking the action, the ILO is guided by its own Constitution and by the decisions of the Governing Body.¹⁶ The implementation of this project will be based on the following methodology:

Develop global knowledge tools through country pilots:

The project will begin by consolidating knowledge at the global level of: a.) the relationship between trade and employment; b.) methods and techniques for assessing the effects of trade on employment; and c.) complementary labour market policies that might address some of these effects. It will develop global training tools to build the capacity of

¹⁶ In particular, the guidance given by the Employment and Social Policy Committee in the framework of the Global Employment Agenda and by the Working Party on the Social Dimensions of Globalization during its 298th Session in March 2007 on trade and employment, see GB.298/14.

policy makers, researchers and the social partners to assess and address the effects of trade on employment. It will pilot these approaches and training tools in four developing countries, document the lessons learned from these project interventions and feed these back into global policy dialogues, publications and training tools that can be used by policy makers and research institutions in other countries.

Participation of social partners:

The project will facilitate the participation of the social partners and other relevant government ministries (e.g. trade and finance) to: a.) build consensus on the treatment of employment issues in the study /assessment; b.) facilitate coherence between trade and labour market policy; and c.) ensure political commitment to implement the conclusions and recommendations.

Two mechanisms will be used to facilitate the participation of the social partners and relevant government ministries. The first of these is the establishment of a Policy Working Group (PWG) consisting of government officials from relevant ministries together with the ILO and relevant EC services. The project team will work with the PWG to identify issues and provide the group with periodic reports on progress. This is aimed at ensuring the ongoing political commitment of the policy makers, at building consensus on employment issues and facilitating coherence between trade and labour market policies.

The second are seminars to facilitate policy dialogue between the social partners and government officials from relevant ministries (together with the ILO and relevant EC services). The objective of these seminars is to build consensus through a process of social dialogue and ensure that policies are effective in addressing the concerns of workers' and employers' organizations.

Gender mainstreaming

The project team will seek to assess the effects of trade on employment of men and women and consider whether policy interventions need to be tailored or targeted to address gender specific effects (including a focus on the 14 – 25 age group).

Cooperation with international and national partners

The project team will cooperate with national institutions and partners and with other donor countries and international organizations in the assessment of the effects and identification of priorities and programmes at the country level to ensure coordination and effective implementation of activities. All relevant institutions and donors in the pilot countries will be consulted at the beginning of the project. EC services will be involved in the Policy Working Group. Donors will be invited to attend the national seminars at which the studies / assessments are discussed and where relevant, will also be invited to special briefing sessions.

1.8.2 Where the action is the prolongation of a previous action, explain how the action is intended to build on the results of this previous action

A recent EC funded project run by the ILO on the development of Decent Work Indicators in two countries (Philippines and Uganda) concluded that there was often more data available in developing countries than might be expected, but that a special effort was needed for data gathering, processing and adjusting statistical indicators for the purposes of policy diagnosis. The enhancement of data and statistical indicators presents an opportunity in that it makes it possible to better assess the effect of trade on employment, to more design policies that are effective in mitigating the negative effects and enhancing opportunities for employment creation and to monitor progress with decent work.

In one or two of the pilot countries, the project will be jointly implemented with the project on “Monitoring and Assessing Progress on Decent Work in Developing Countries”. This will be jointly decided by the EC and ILO once the scoping visits have been concluded. In those countries, statistical indicators needed to analyse the impact of trade on employment and monitor progress with decent work will be enhanced as part of that project. Both projects seek to jointly contribute to improved monitoring and analysis of decent employment in a manner that supports the formulation of effective and coherent policies to promote decent work.

1.8.3 Where the action is part of a larger programme, explain how it fits or is coordinated with this programme. Please specify the potential synergies with other initiatives, in particular from the EC

In its Communication on “The Social Dimension of Globalization – the EU’s policy contribution on extending the benefits to all” (18.4.2004), the Commission called for an integrated approach to trade, combining adequate domestic social policies with appropriate donor support and opening of broader market opportunities.

In its most recent communication, “Promoting decent work for all” (COM(2006)249) the Commission states that it will work on complementary action with the ILO to “develop methodologies for measuring how decent work is affected by trade liberalization and global production and distribution systems at global level, including export processing zones; expand the pilot study underway to assess the impact of trade on decent work”. It also notes the need to “strengthen external assistance for social adjustments in countries and regions outside the EU which are involved in trade liberalization”. The Communication also states that the Commission plans to “make use of EU policies and instruments, such as external assistance, to promote decent work in the context of open systems of trade”.

Addressing inequalities, promoting social cohesion and fostering the decent work agenda and employment form an important theme in the EC’s external relations, trade and development policy¹⁷. The action complements the EC’s commitment to promote international dialogue on the interaction between trade and social issues. Specifically, the outcomes of the project will inform discussions on fair globalization in the ILO Governing Body Working Party on the Social Dimension of Globalization.

Through the establishment of a policy working group at the country level, the action will seek to integrate its activities within national and regional development strategies and plans.

1.8.4 Procedures for follow up and internal/external evaluation

Simplified reporting every six months according to the format agreed with the EC.

¹⁷ Commissioner Mandelson, in his speech on the 5th of December 2005 to the EU Decent Work Conference noted as follows : “The Commission's Decent Work Communication set out a coherent policy on decent work both inside and outside the EU. Today I would like to talk about trade’s role in that agenda, which inevitably means focusing on what the EU can do to promote decent work abroad. [...] Work – decent work – is what lifts people out of poverty, gives them dignity, confidence and opportunity. And trade – open trade – provides many of those jobs that give people a better, more fulfilling life. For these reasons, our trade and social policies need to work hand in hand. Making trade a part of sustainable development means putting it at the service of decent work.”

A joint Steering Committee (ILO-EC HQs) will be set up. The Steering Committee will closely monitor developments, outputs and outcomes. The first meeting will take place between 3 to 6 months after the project begins and then every year in Brussels.

A mid-term evaluation will be carried out after 24 months to review progress and advise on any corrective action needed. A final independent evaluation will be commissioned at the end of the project.

1.8.5 Description of the role and participation in the action of the various actors (local partner, target groups, local authorities, etc.), and the reasons for which these roles have been assigned to them.

Government officials are the key actor involved in the formulation of policies. During the assessment phase, policy makers from relevant government ministries including the Ministry of Labour, Ministry of Finance, Ministry of Trade and other relevant ministries will be included in a policy working group. They are expected to assimilate recommendations derived from the different actions into their policy formulation and implementation.

Staff of intermediary labour market institutions will be involved in the implementation of policies and strategies designed to address the employment effects.

Staff in statistical offices and research institutions will participate in the training in techniques and be partners in the assessment.

Staff of regional institutions will be included in the technical training and are expected to assimilate consideration of decent employment into their regional institutions.

Representatives from trade unions, employers' organizations and civil society will participate in training and in social dialogue on the assessment and policy recommendations.

Local partners, target groups and local authorities will be consulted during the initial scoping visits to the countries (refer to sections 1.7). Participation by countries in the pilots will be demand driven, meaning that social partners in countries request to be part of the project and that interventions are designed on the basis of the interests and concerns of local partners, target groups and local authorities.

In addition, two mechanisms will be used to ensure the ongoing commitment of the social partners and other government ministries to the project: the first is the establishment of a Policy Working Group (see 1.7) with different government ministries, the ILO and EC, and the second are seminars to facilitate social dialogue between the social partners and government officials to secure consensus on proposed policies and programmes (see 1.7).

1.8.6 Team proposed for implementation of the action:

ILO headquarters and field offices for technical backstopping:

Management (33%)

International Project Manager

Pilot countries

4 National project coordinators (NPC)

4 Administrative assistants (50%)

The ILO will use its existing office structure to support the implementation of the project. The National Project Coordinator (NPC) will be responsible for the day to day management, implementation and monitoring of project activities in the pilot country and links to the regional secretariat. The NPC will be responsible and report to the International Project Manager, who will oversee the development of global knowledge.

The International Project Manager will report under arrangements established by the Executive Director of the Employment Sector.

International experts and national consultants will be recruited for specific activities. The project will also work in close collaboration with the ITC-ILO in Turin and draw on the expertise of other ILO experts.

1.8.7 Main means proposed for implementation of the action (equipment, tools...)

Tools:

Expert Seminars

Technical papers and studies

Training seminars and tools

Economic and statistical tools for policy analysis e.g. Social Accounting Matrix (SAM)

Consultative meetings

Policy Working Group

Policy dialogue

Equipment:

Furniture, computers and office supplies for local ILO offices to facilitate the activities of the local project team.

1.9 Duration and action plan

The duration of the action will be 48 months.

Specified objective 1: Develop global knowledge tools that can support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners.													
Year 1													
	Semester 1						Semester 2						
Month	1	2	3	4	5	6	7	8	9	10	11	12	Implementing body
Inception phase													
Preparation of detailed action plan													ILO
Identify experts for studies													ILO
Logistical set-up													ILO
Activity													
1.1 Commission general review of literature													ILO International experts
1.1.1 Commission four papers on specific issues related to trade and employment													ILO International experts
1.2 Commission review of methodologies													ILO International experts
1.3 Organize a meeting of experts													ILO International experts
1.4.1 Convert papers and results of meeting of experts into training tools.													ILO, ITC-ILO
1.5 Draft edited volume of papers.													
Year 2													
Activity	Semester 1						Semester 2						
1.4.1 Convert papers and results of meeting of experts into training tools.													ITC-ILO
1.5 Draft edited volume of papers.													ILO
Year 3													
Activity	Semester 1						Semester 2						
1.5 Publish and disseminate edited volume.													ILO

Specific objective 2: Strengthen the capacity of policy makers, researchers and the social partners in pilot countries to assess the effects of changes in trade policy on employment and to design effective and coherent policies that enable countries mitigate any negative effects and expand employment.

Year 1													
	Semester 1						Semester 2						
Month	1	2	3	4	5	6	7	8	9	10	11	12	Implementing body
Preparatory phase													
Set up project offices.													ILO
Identification of stakeholders.													ILO
Activity													
2.1 Conduct scoping visits to pilot countries to consult with EC services, relevant government ministries, statistical offices, workers' and employers' organizations and other institutions (donors).													ILO
2.2 Establish a policy working group.													ILO
Year 2													
Activity	Semester 1						Semester 2						
2.3 Organize training for government departments and research organizations.													ILO ITC-ILO International Experts
2.4 Organize training for social partners.													ILO ITC-ILO International Experts
2.5 Conduct assessment / study on the effects of trade on employment.													ILO Local Experts International Experts
Year 3													
Activity	Semester 1						Semester 2						
2.6 Draft, publish and disseminate country report.													ILO International Experts, Local Experts

2.7 Organize national seminar to discuss the findings and engage in policy dialogue.			ILO International Experts, Local Experts Policy makers in pilot countries.
2.8 Formulate policies, strategies and programmes to respond to findings in report.			ILO International Experts, Local Experts EC Services Policy makers in pilot countries.
Year 4			
Activity	Semester 1	Semester 2	
2.8 Formulate policies, strategies and programmes to respond to findings in report.			ILO International Experts, Local Experts EC Services Policy makers in pilot countries.
2.9 Draft and disseminate synthesis report.			ILO

2. EXPECTED RESULTS

2.1 Expected impact on target groups/beneficiaries

2.1.1 The situation of target groups/beneficiaries

The project will improve the capacity of relevant actors to assess, address and monitor the effects of trade on decent employment.

Government officials will have increased knowledge of the likely effects of trade liberalization on labour markets. This will improve their capacity to design effective policies. The project will improve institutional capacity to continue to monitor the effectiveness of programmes and policies on decent employment. Dialogue between different ministries in the policy working group will enhance coherence between trade policy and labour policy.

Staff of intermediary labour market institutions will strengthen their capacity to implement policies and strategies designed to address the employment effects.

Staff in research institutions and statistical offices will benefit from increased availability and quality of statistical indicators and enhanced knowledge on techniques and methodologies for conducting assessments. This will create opportunities for partnerships between research institutions and policy makers to enhance policy diagnosis.

Trade union representatives will gain knowledge of the links between trade policies and employment, including the distributional effects and policies that could assist workers to overcome some of the challenges of adjustment. This will enable them to participate more effectively in policy dialogue.

Employers' organizations representatives and their members (enterprises) will gain knowledge of the links between trade policies and labour markets, allowing them to assimilate structural changes into their decision making. It will also enable them to participate more effectively in policy dialogue.

Civil society will gain knowledge of the links between trade policies and employment, including the distributional effects. This will enable them to participate more efficiently in policy dialogue

Workers are the ultimate beneficiaries. Policies targeted at promoting decent employment and helping workers to deal with the loss of a job (and income), benefit from skills retraining, and find another job will ultimately enhance their welfare.

2.1.2 The technical and management capacities of target groups and/or any partners where applicable.

Government officials and staff in intermediary labour market institutions:

- Knowledge of different strategies to assess the effects of trade on labour markets and monitor decent employment.
- Knowledge of complementary labour market policies and of their effective implementation.

Staff in research and statistical institutions:

- Technical capabilities to address data shortcomings and enhance the quality of available indicators for assessing the effects of trade and monitoring decent employment.
- Techniques and methodologies for assessing the effects of trade on employment.

Trade union representatives, employers' organisations and civil society:

- Knowledge of the transmission channels between trade policy and employment.

2.2 Concrete outputs

Outputs:

- A literature review on key trade and employment issues and policy interventions.
- Four targeted papers on specific issues related to trade and employment in developing countries, including: trade and gender, trade and the informal economy, trade and adjustment policies, and policies to facilitate export diversification and the creation of employment.
- A literature review on the different techniques and methodologies for evaluating the effects of trade on both the quality and quantity of employment.
- Global seminar of experts
- Edited volume/book of papers on trade and employment.
- Country reports assessing the effects of changes in trade on employment and prospects for the formulation of effective and coherent policies in pilot countries.
- Training materials:
 - Technical training: Binder 200 pages, including CD-Rom with Power Point presentations
 - For tripartite events : Training guide 150 pages, including CD-Rom
- Training of target groups in pilot countries.
- Establishment of policy working groups in pilot countries.
- National seminar with target groups to engage in policy dialogue on the recommendations of the assessment.
- The formulation of policies and programmes to strengthen labour market policies and institutions.
- Synthesis report on knowledge gained in the pilot countries of the links between trade and employment and policy options available to address the labour market effects.

2.3 Multiplier effects

The action will develop global knowledge tools that can support the efforts of policy makers in other countries not involved in the pilot to anticipate the effects of changes in trade policies on employment and to design effective and coherent policies that respond to the adjustment challenges and promote decent employment.

The lessons learned from the pilots will be integrated into global knowledge tools which aim to build the capacity of policy makers and the social partners in countries not involved in the pilots and thereby inform policy analysis and policy dialogue at the national level. At the international level, the results from the country studies will inform dialogue in the ILO Governing Body on the effects of trade on employment and thus also influence policy analysis in ILO member countries.

The results of the project will also help the EC to progressively increase Decent Work and employment concerns in cooperation programmes by establishing a working method for addressing trade and employment issues in developing countries across the range of EC services.

The enhancement of data and improved capacity in pilot countries to assess the employment effects of changes in economic policy will have relevant application in other economic policy domains. For example, policy makers and researchers will be able to use the methodologies and data to also assess the impact of investment policies on employment.

2.4 Sustainability

2.4.1 The financial aspect (how will activities be financed when the grant ends?)

The global activities in this project are part of an overall commitment by the ILO to enhance the knowledge of the transmission mechanisms between trade and employment and support analysis of effective and coherent policies to address the labour market effects and promote decent employment. The knowledge developed will be integrated into ILO employment and social policy programmes and training offered by the ILO ITC-ILO. It will also be integrated into EC External cooperation.

In the pilot countries, programmes designed to address the labour market effects of trade will be integrated into the overall programmes of the Department of Labour and other relevant ministries. Meetings will be held with other donor countries engaged in dialogue in the employment and social protection sectors to ensure ongoing support for these programmes.

2.4.2 Institutional level (Will structures allowing the activities to continue be in place at the end of the action? Will there be local "ownership" of action outcomes?)

Prior consultations and interests expressed by national partners, target groups and national authorities, make it a demand driven process. Given that it is demand driven, the ownership of the action outcomes should be secured at the end of the action and cooperation should continue.

The establishment of a policy working group and social dialogue with social partners in the pilot countries will ensure national ownership of the recommendations of the action (refer to in activities 2.2 and 2.7).

The approaches developed will also influence policy formulation in other countries not included in the pilots through the creation and dissemination of global knowledge tools.

2.4.3 Policy level where applicable (What structural impact will the action have - e.g. will it lead to improved legislation, codes of conduct, methods, etc?)

Recommendations based on the assessment will, after a process of dialogue with stakeholders, have direct impact on the design and formulation of complementary labour market policies. The dialogue is also intended to facilitate greater coherence between trade policies and labour market policies.

The approaches developed will also influence policy formulation in other countries not included in the pilots through the creation and dissemination of global knowledge tools.