

► Introduction

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In the aftermath of the COVID-19 pandemic and in a period characterized by geopolitical tensions, different voices about the future of globalization are heard. Some predict its retreat (Foroohar 2022; Keller and Marold 2023), while others insist that it is still “alive and well” (Bedoya 2023). Despite the fact that the pandemic exposed supply chain vulnerabilities (see, for example, Ferreira et al. (2021)), there was a quick rebound of international trade. Trade increased from a pandemic low of around 25 per cent of global output in 2020 to 34 per cent in 2022, which is higher than pre-pandemic levels and serves as a clear indication of trade’s resilience (UNCTAD 2023). These trends also carry implications for the hundreds of millions of workers whose livelihoods rely on trade-oriented industries.¹

Undoubtedly, trade has generated job opportunities for all skill levels in both developed and developing economies, helping to lift millions out of poverty (WTO and World Bank 2018; OECD 2009). The evolving trade dynamics in developing and emerging economies have also resulted in notable gains in employment prospects for both young people and women (Kpognon, Ondo and Bah 2020; ILO 2021b). This trend has become so pronounced that women now constitute a large part of the workforce in export-oriented manufacturing industries across numerous countries.² Although, in economies belonging to the Organisation for Economic Co-operation and Development (OECD), the share of women linked to trade-oriented jobs is 37.4 per cent (OECD 2021), in South-East Asia women represent 45 per cent of all jobs associated with global supply chains (GSCs) (Viegelahn, Huynh and Kim 2023). This entry of women into the formal labour market has boosted not only their income but also their engagement in society at large (UNDAW 1999; Dejardin 2008).

At the same time, the benefits of trade have not been distributed evenly, either across countries with diverse resources and capacities (WTO and World Bank 2018) or across sectors with different production patterns. Even within the same sectors, firms and workers with different characteristics have seen

1 Roughly 347 million workers in 2018 were in domestic employment embodied in gross exports in 51 countries where estimates were available (OECD 2021).

2 In the textile industry, female workers constituted 60.5 per cent of the total workforce in Bangladesh and 68 per cent in Viet Nam (Matsuura and Teng 2020; Svarer, Meiers and Rothmeier 2017).

a range of different effects, with more productive firms and more skilled workers often faring better (WTO 2017). Thus, trade has been linked to the rise of income inequalities. The existing literature has extensively examined the skill premium and its determinants as the primary mechanism by which trade influences income disparities (Acemoglu 2003; Goldberg and Pavcnik 2007; WTO and ILO 2017; Adão et al. 2022). However, less attention has been paid to other aspects of employment that have an impact on the quality of work, such as working terms and conditions that include, for example, status of employment, hours of work and provision of social security.

Two previous ILO publications, *Trade and Decent Work: Indicator Guide* (2021b) and *Trade and Decent Work: Handbook of Assessment Methodologies* (2021a), offer a framework based on a set of indicators and methodologies for undertaking more comprehensive assessments of the effects of trade on the labour market. The Guide proposes a toolkit of labour market indicators based on the ILO's Decent Work Indicators (ILO 2013), while the Handbook analyses relevant analytical frameworks, highlighting the need to employ them in a complementary manner to avoid a partial view of trade impacts. In this way, these two publications provide a road map to conduct studies that offer a more comprehensive picture of the labour effects of trade.

The first volume of this two-volume set picks up where the Guide and Handbook leave off, providing a comprehensive framework for assessing the impact of trade on the labour market and concrete examples of trade impacts in specific countries. It also explores labour market policy options to ensure that trade contributes to – rather than hampers – decent work. The second volume focuses on trade policies and how they have been used as a tool in their own right to address labour market challenges, especially in the area of labour rights.

The objective of both volumes is to better align trade and labour market policies to achieve decent work outcomes. This has implications for domestic, regional and global policy objectives, particularly in accelerating progress towards attaining the Sustainable Development Agenda – notably Sustainable Development Goal (SDG) 8 (“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”). This is all the more important today as trade is undergoing a transformational process. The move towards regionalization and more resilient GSCs, and the change in the composition of trade fuelled by digitalization and climate change (WTO 2018, 2022), are emerging trends

with vast implications for the world of work (Baldwin 2020). Thus, related policies must be transformational as well.

In light of this, Volume 1 is divided into three sections:³

Part 1 deals with the tools and techniques that are employed to study the links between trade and labour. In order to achieve a more realistic analysis of such links, it is first necessary to evaluate the adequacy of the tools currently used. This requires, on the one hand, a reflection on the indicators that represent trade and labour, and on the other, an assessment of the methodologies that are employed to make the link between them. To facilitate this endeavour, Corley-Coulibaly and Ghani (Chapter 1) examine the instruments of trade policy and evaluate their impact on employment and wages. In a second step, the authors focus on a broader range of labour market indicators which have scarcely been studied in the context of trade policy.

The following two chapters analyse methodologies that are commonly used in the field of economics to assess the impact of trade on the labour market, highlighting their strengths and weaknesses. Hernandez (Chapter 2) examines studies at the macro level (covering an entire economy) or at the meso level (covering one or more sectors) with the objective of clarifying their underlying assumptions, data requirements, advantages and limitations. Moving beyond the quantitative approaches, the chapter draws attention to qualitative and mixed methods, which tend to offer a more detailed picture of workers' experiences. Starting where the previous chapter leaves off, Aleman-Castilla and Rodríguez-Pueblita (Chapter 3) focus on micro methodologies that take firms and workers as units of analysis. They highlight the contribution of micro-level analysis to the design of effective trade and labour policies, complementing and nuancing the findings of macro-level and sectoral studies.

Part 2 conducts empirical analysis of trade impacts in three countries based on the methodologies presented in Part 1 (at macro, sectoral, firm and worker levels). All chapters highlight the heterogeneous nature of the effects of trade and the need for policymaking to take into account such heterogeneity to be effective. Two chapters focus on the labour effects of trade in Mexico, a country that is highly integrated in international trade. Moreno-Brid et al. (Chapter 4) use input-output methods to explore the effects that the rise in final and global value chain (GVC)-related exports in the automotive sector have had on decent work in the aftermath of the North American Free Trade Agreement (NAFTA). The authors argue that, while Mexico has improved its

3 For more detailed summaries, emphasizing each chapter's policy recommendations, see the "snapshots" for the contributions in this volume available at ilo.org/ITDW.

engagement in automobile-sector GVCs, this has not been accompanied by the expected employment gains or progress towards decent work. Meanwhile, Aleman-Castilla (Chapter 5) combines firm- and worker-level (micro) data to analyse the differences in terms of labour market outcomes between the manufacturing and non-manufacturing sectors in Mexico. He finds that manufacturing firms exposed to globalization seem to offer better working conditions. However, further trade liberalization does not seem to have helped to reduce working poverty or excessive working hours, nor has it improved the representation of women in managerial positions.

Sekerler Richiardi, Ghani and Pham (Chapter 6) turn to Viet Nam, a country whose integration in international trade has increased over recent decades. Using micro data and techniques, the authors explore the links between exporting and importing in small and medium-sized enterprises (SMEs) and several decent work indicators. They find that trade is positively associated with the presence of written formal contracts, and social protection coverage represented through insurance for healthcare, unemployment benefits and sick leave. Next, Kankwamba (Chapter 7) explores the impact of tariff increases on female unemployment and the agricultural sector in Malawi. Combining a standard general equilibrium (GE) model with a top-down behavioural microsimulation, the author finds that a move towards trade restrictions would destroy over 1 million jobs in the country, affecting primarily women across the labour market but more markedly in agriculture.

Finally, **Part 3** focuses on the role of labour market institutions and the policies needed to support them, including innovative ways in which the ILO has provided support to ensure decent work in the context of trade. Chapters 8 and 9 focus on specific labour market needs linked to skills and informality and show the importance of comprehensive policy responses to address trade-related challenges. Kizu and Tumurchudur Klok (Chapter 8) examine skills development and lifelong learning as a policy area that is relevant to promoting inclusive trade for decent work. They draw on the ILO's country-level interventions under the Skills for Trade and Economic Diversification (STED) programme, highlighting its potential to help build resilience and foster sustainable development. Then, Ernst and Leung (Chapter 9) analyse the relationship between trade and informal employment and propose policy interventions to support the transition to formalization. In this regard, the authors discuss policies in the context of diversification, global and regional value chains (including the ILO Better Work programme) and digital transformation.

The volume's last chapter looks at the ILO's efforts to support countries in improving labour standards in relation to trade policy. Curtis and Echeverría Manrique (Chapter 10) examine the ILO's ongoing Trade for Decent Work

(T4DW) project, which provides technical cooperation to countries in the context of European Union (EU) trade arrangements. They then turn to the ILO's observation of workplace democratic processes in Mexico in the context of the United States–Mexico–Canada Agreement (USMCA). Both experiences can provide inspiration on how to strengthen ILO action to foster social justice and decent work in a trade context.

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