



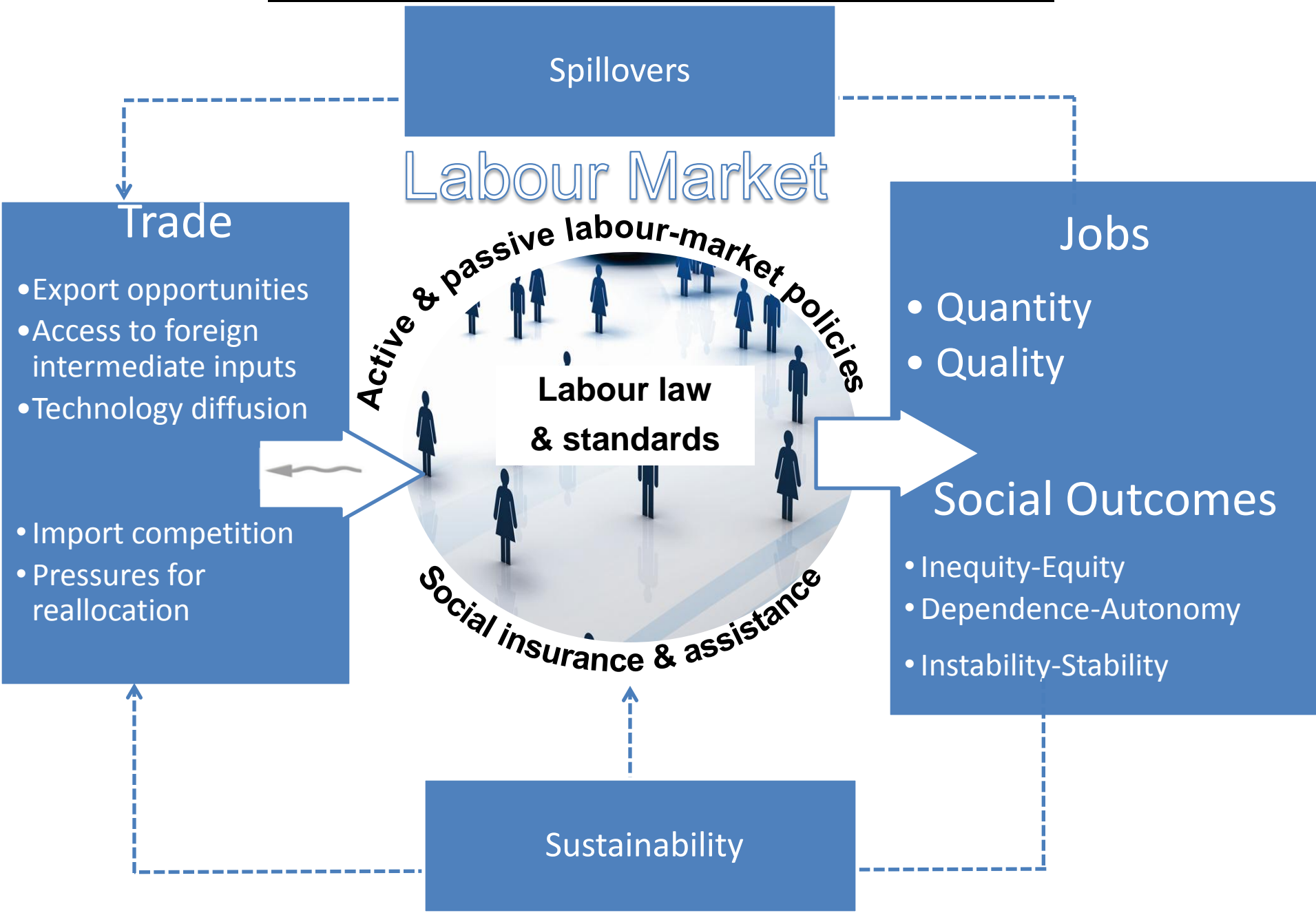
The Effects of Trade on Employment: A Social Perspective

David Cheong (Trade and Employment Programme, ILO)

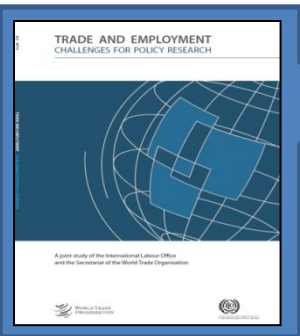
Sukti Dasgupta (Head of Economic Research and
Analysis, ILO Regional Office, Bangkok)

Jakarta, 10 December 2012

Trade and Employment: Links



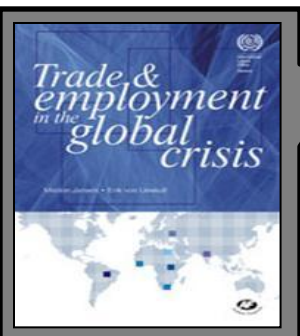
ILO Publications on Trade and Employment



Trade and Employment: Challenges for Policy Research (2007)

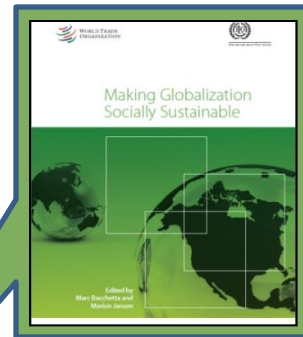


Globalization and Informal Jobs in Developing Countries (2009)

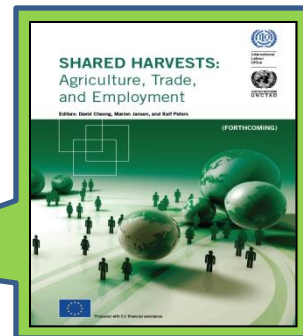


Trade and Employment in the Global Crisis (2010)

Making Globalization Socially Sustainable (2011)



Trade and Employment: From Myths to Facts (2011)



Shared Harvests: Agriculture, Trade, and Employment (2012, forthcoming)



Trade and Employment: 6 Essential Findings

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.**

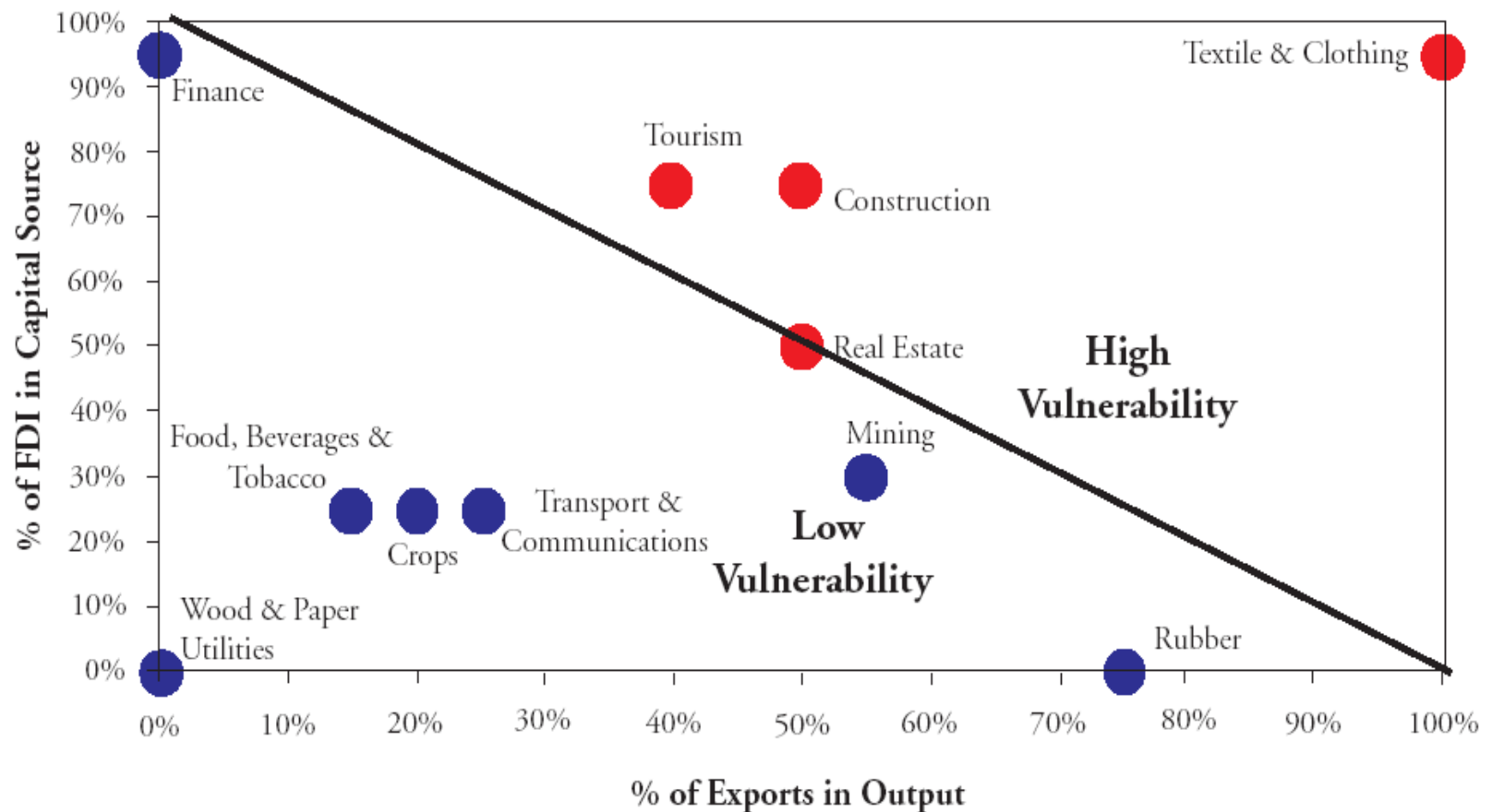


Volatility in Global Markets and Employment

- **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



Source: Chandrararot, Sina and Dannet, ILO 2009.

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)

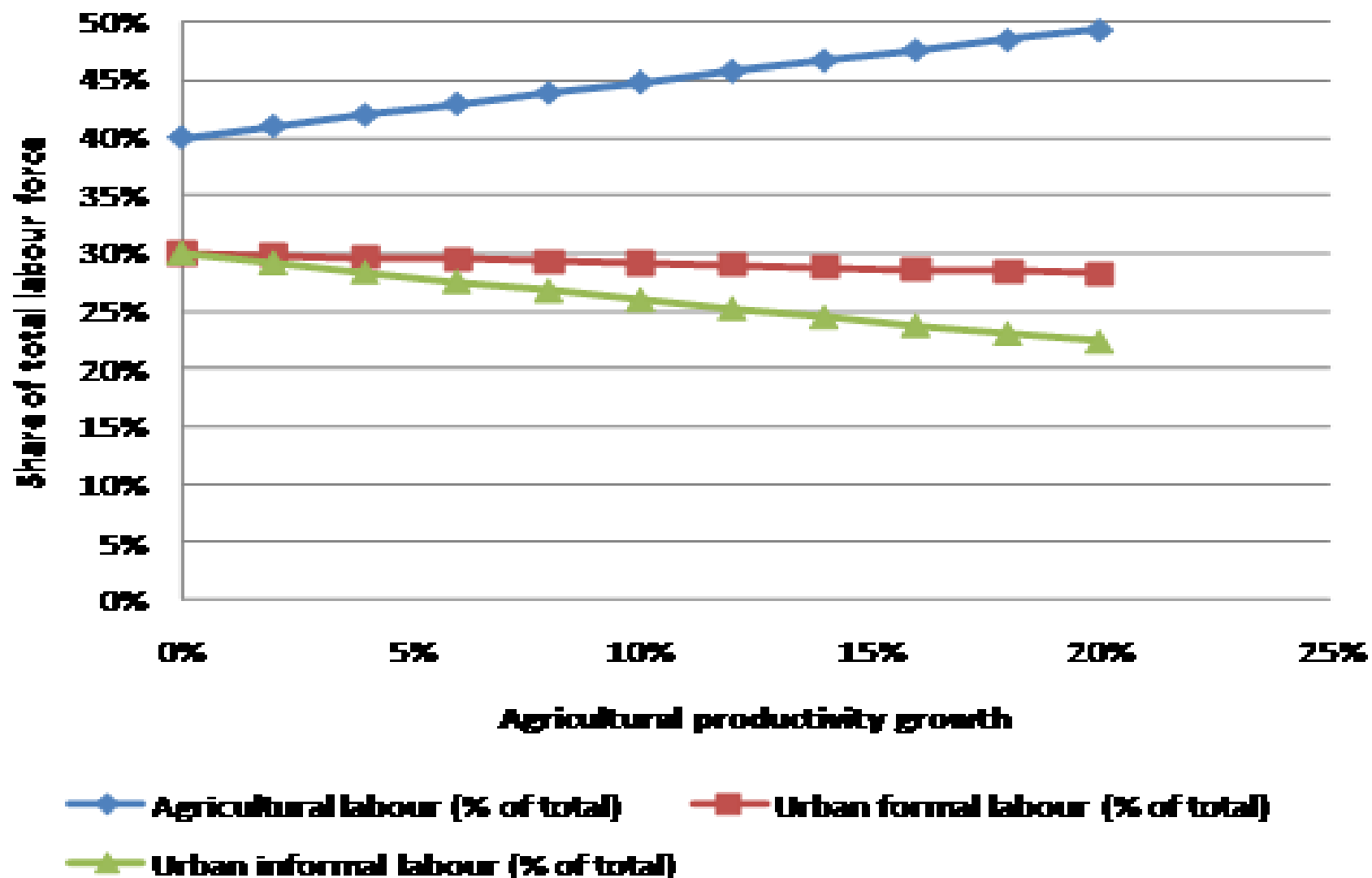


Adjustment Policies to Trade Liberalization

	Labour market and social policies		Trade policies	
		Examples		Examples
General policies to facilitate adjustment	Passive labour market policy	Unemployment insurance	Gradual liberalization	Transition periods in trade agreements
	Active labour market policy	Employment services, Training	Early announcement	Long implementation period after conclusion of agreement
	Social security	Health care		
Specific trade adjustment policies	Extending and targeting labour market policies to trade-affected workers	Services in case of mass layoffs	Safeguard measures	GATT Article XIX



Agricultural Trade and Productivity



Impact of agricultural productivity growth on the structure of employment in a representative developing country



**Thanks for your
kind attention!**

ILO Trade and Employment Programme
<http://www.ilo.org/employment/areas/trade-and-employment/lang--en/index.htm>

