

Market Openness & The Labor Market

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International Collaborative Initiative on Trade and Employment

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International Collaborative Initiative on Trade and Employment

- ICITE is a collaborative effort of 10 international organisations
- Active engagement of social partners
- Empirical approach to the issues

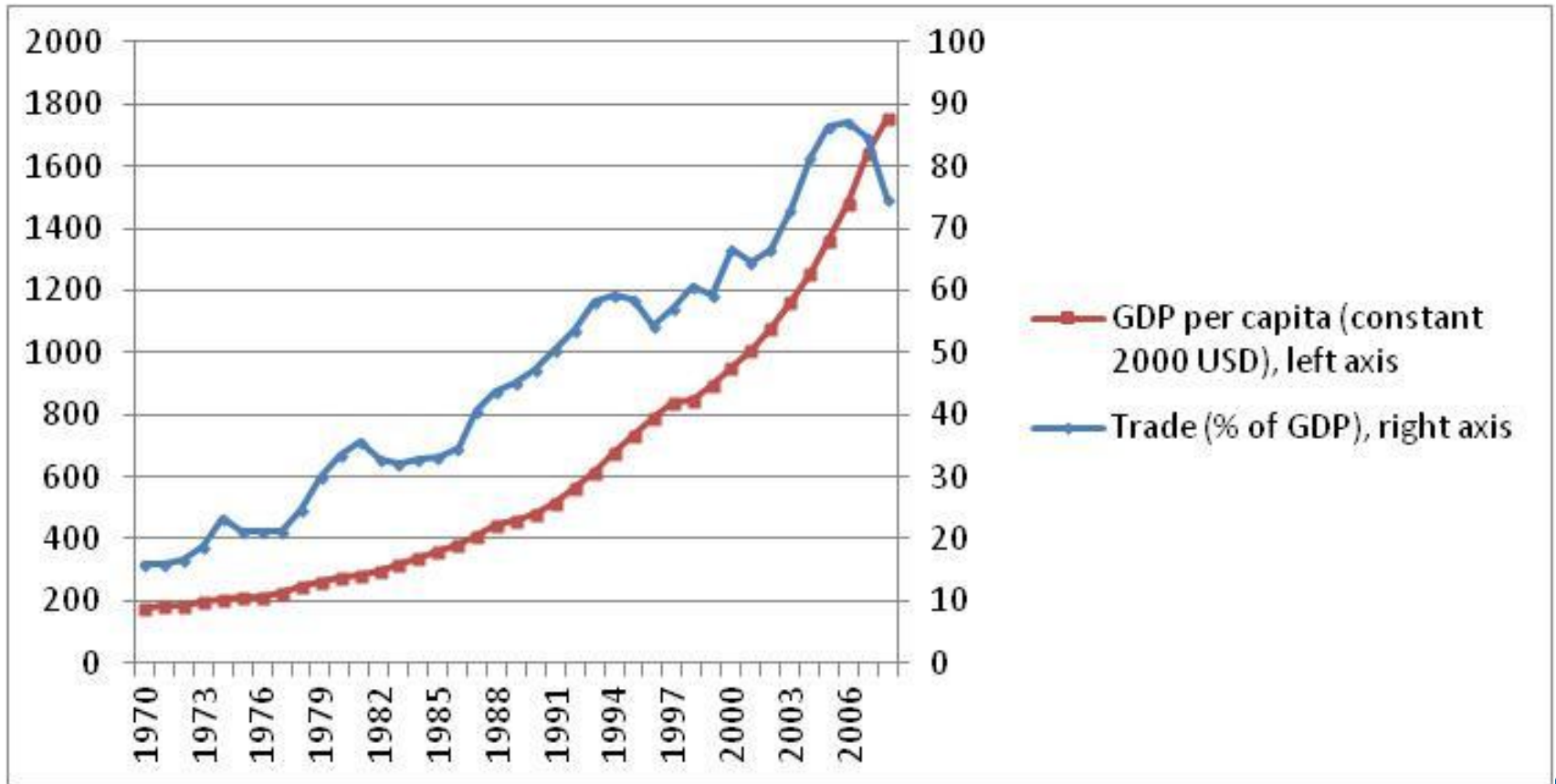


Organization of
American States



WTO OMC

Trade openness and growth, East Asia & Pacific

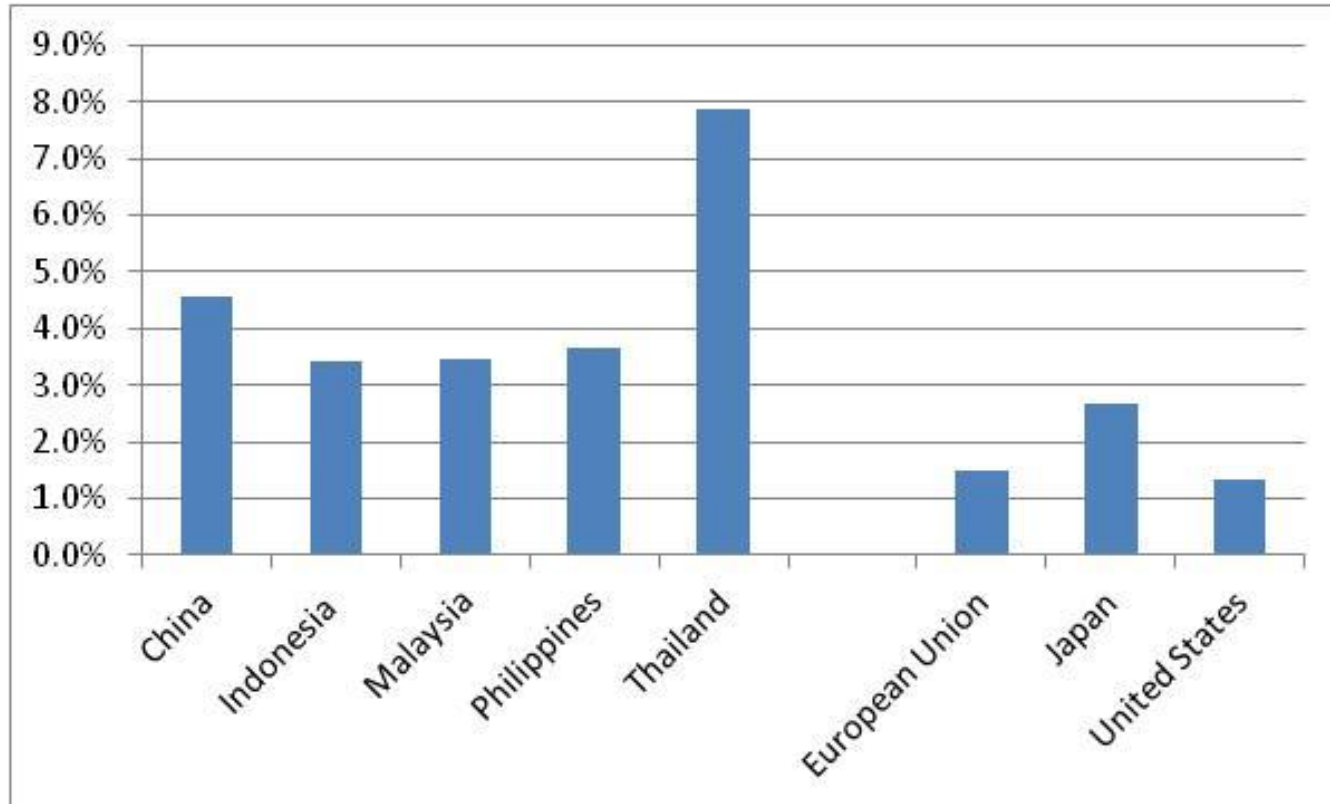


Source: WDI.

Market Openness: Making It Effective

- Opening at the border and liberalizing traditional trade measures such as tariffs: important
- As tariffs reduced, binding constraints relate more to behind the border issues
- OECD's *Market Openness Principles* provide guidance on key issues related to making market openness effective

World Bank: Overall Trade Restrictiveness Index, applied tariffs-only, 2009



OTRI averages for agriculture and manufactured imports.

Source: World Bank on-line, <http://econ.worldbank.org>

OECD Market Openness Principles

- Principles of Market Openness:
 - Transparency
 - Non-discrimination
 - Use of least restrictive regulations
 - Harmonisation towards international standards
 - Streamlining conformity assessment
 - Application of competition principles from a market openness perspective

Also related:

- Respect for intellectual property rights

Case of Indonesia

- The Indonesian economy is healthy...
 - GDP, inflation, unemployment and external balances are solid.
 - FDI has been robust.
- Tariffs are low and tariff dispersion has fallen.
- Important steps have been taken to improve the business environment, but barriers persist for mode 3 trade in services.
- NTMs appear to be on the rise (e.g., licensing).

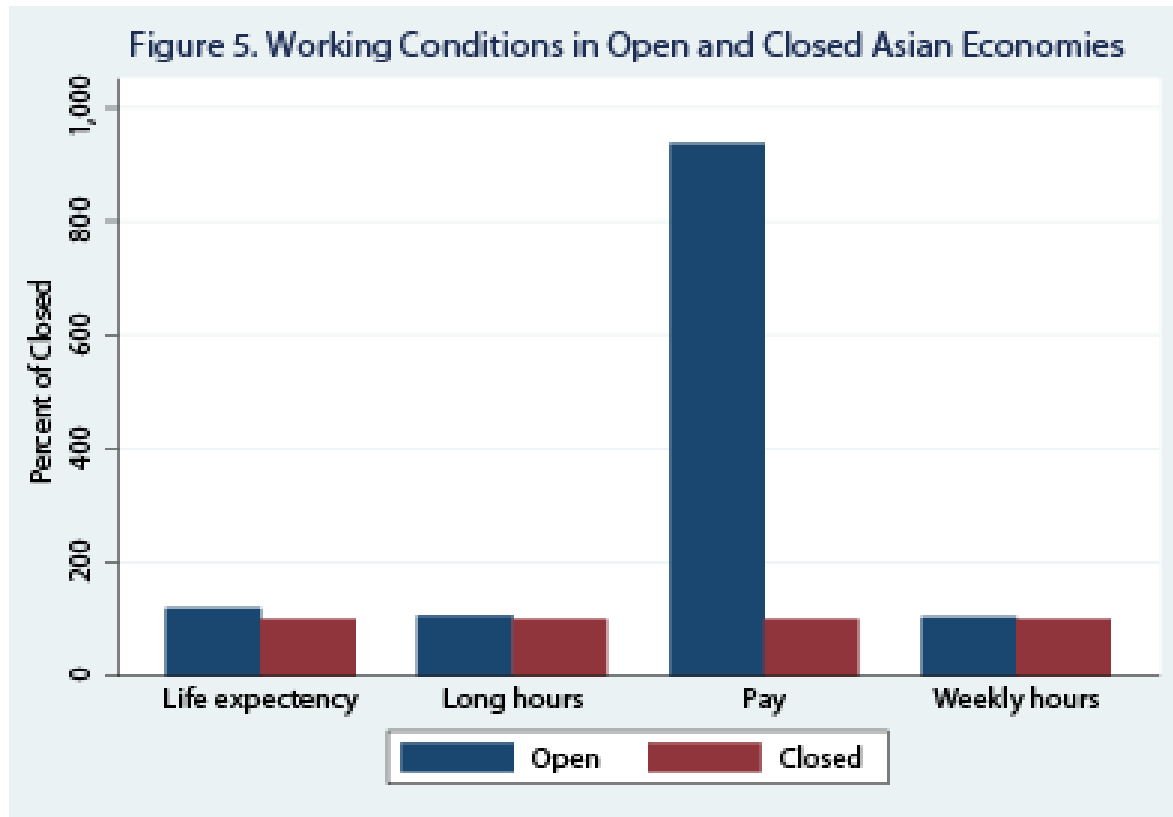
Source: Leshner, M. (2012), [Indonesia: Market Openness](#), OECD Reviews of Regulatory Reform.

OECD Market Openness Recommendations: Indonesia

- Establish an independent body to evaluate the impact of trade and investment regulations.
- Institute a process in which broad stakeholder consultations are systematically required.
- Improve co-ordination between the centre and the periphery.
- Ensure that new laws and regulations benefit Indonesia as a whole (e.g., RIAs).
- Streamline the licensing process.

Source: OECD (2012), OECD Reviews of Regulatory Reform: Indonesia.

Market Openness Yields Benefits for the Labour Market



Source: Flanagan and Khor (2011)

Market Openness Yields Benefits for the Labour Market

Table 4. Labor Conditions - Recent Developments

	2008		Percent Change Since 1999	
	Asian	Non-Asian	Asian	Non-Asian
Working Conditions				
Hourly compensation	37.0	19.43	236.6	152.6
Annual Work Hours	2156	1914	2.3	.2
Job Accident Rate	5.9	n.a.	-22.2	n.a.
Labor Rights				
Child Labor				
Civil Liberties	4.5	2.0	-8.1	-22.3

Note: Labor force weighted estimates.

Sources: See Appendix A.

Source: Flanagan and Khor (2011)

Main findings for Asia

- Broad improvement in labor conditions in Asia and other countries accompanied globalization of late 20th and early 21st century
- Advances in per capita GDP advance labor conditions, and main influence of increased trade flows on labor conditions is indirect through its impact on per capita GDP
- Poor labor conditions do not attract disproportionate shares of world FDI. Market size and investment risk are the dominant influences on FDI

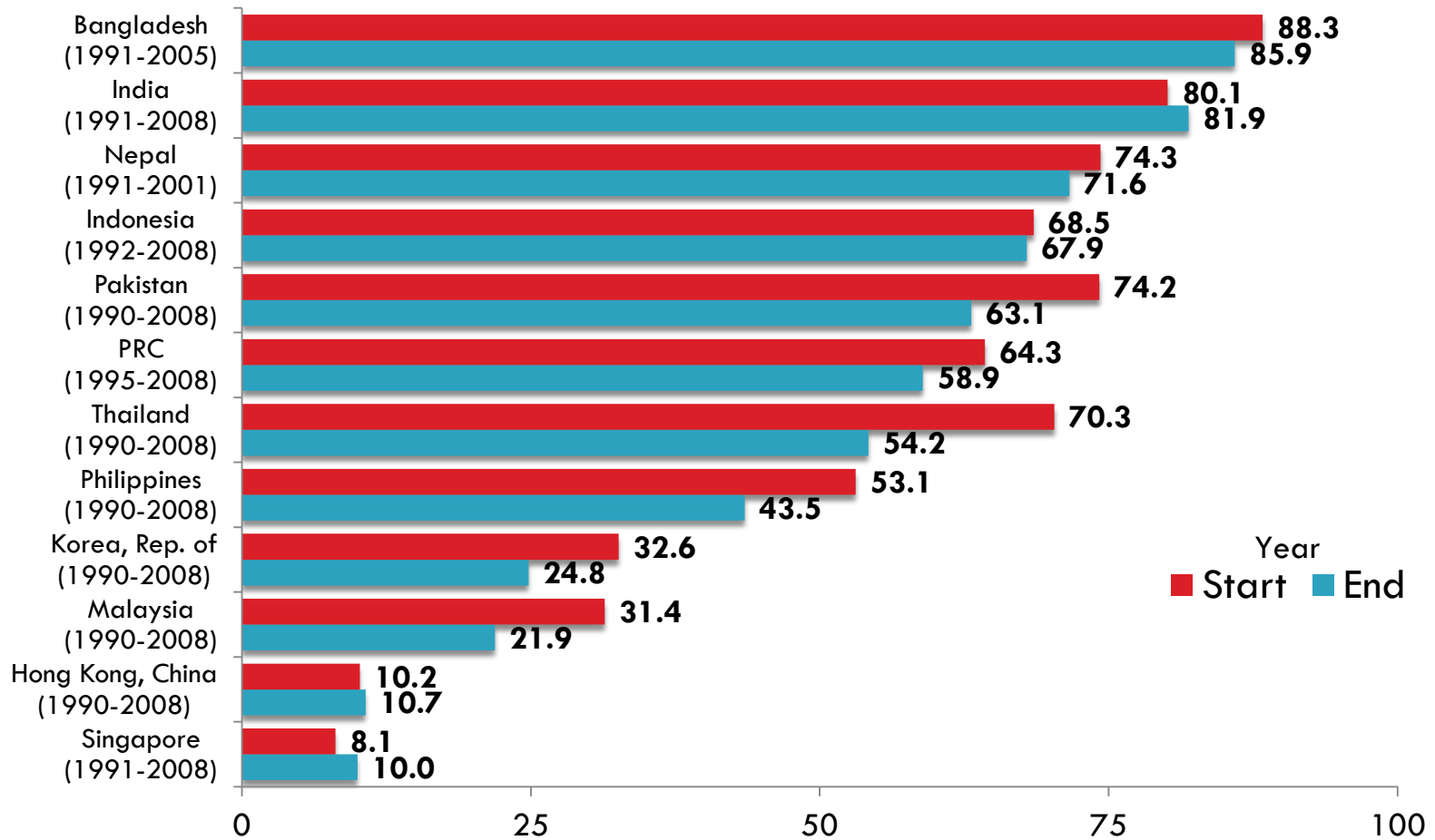
Source: Flanagan and Khor (2011)

Trade and employment in Indonesia

- Weak performance in creating manufacturing jobs partially due to fewer jobs in export-oriented industries after Asian financial crisis (Aswicahyono, Brooks and Manning 2011)
- Number of jobs created per unit of export has also declined over time, implying low elasticities of employment with respect to exports
- Higher value-added services sector is key

Indonesia labor market: informal work

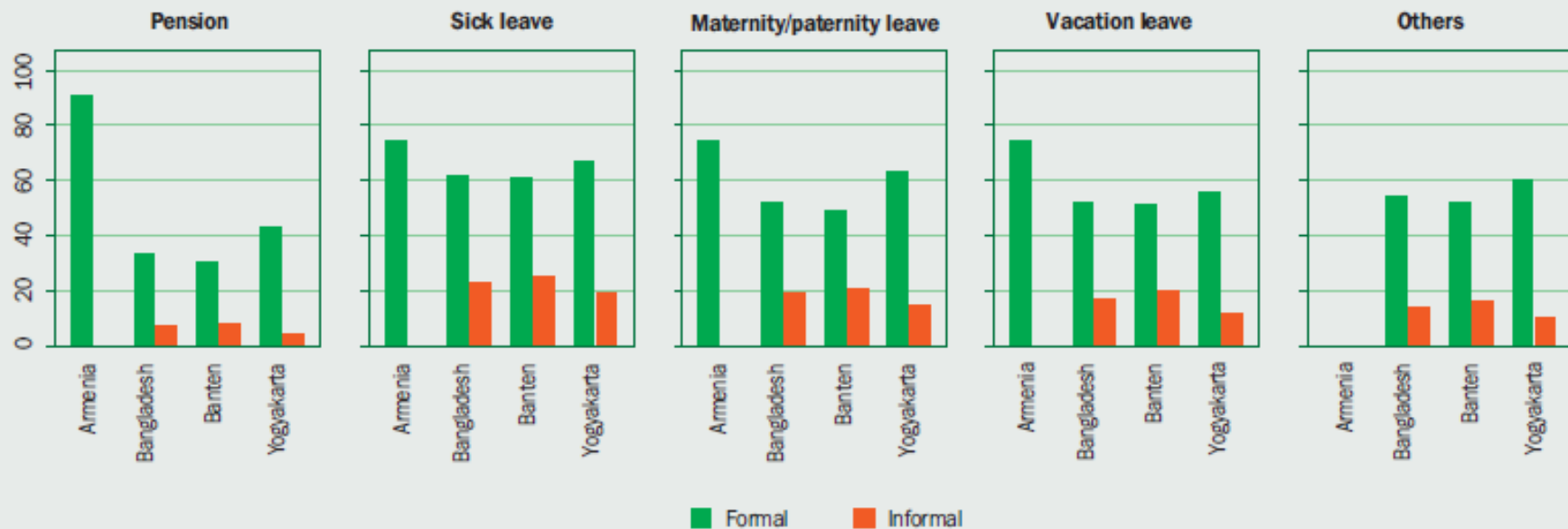
Percentage of Informal Workers to Total Employment



Source: ADB (2011)

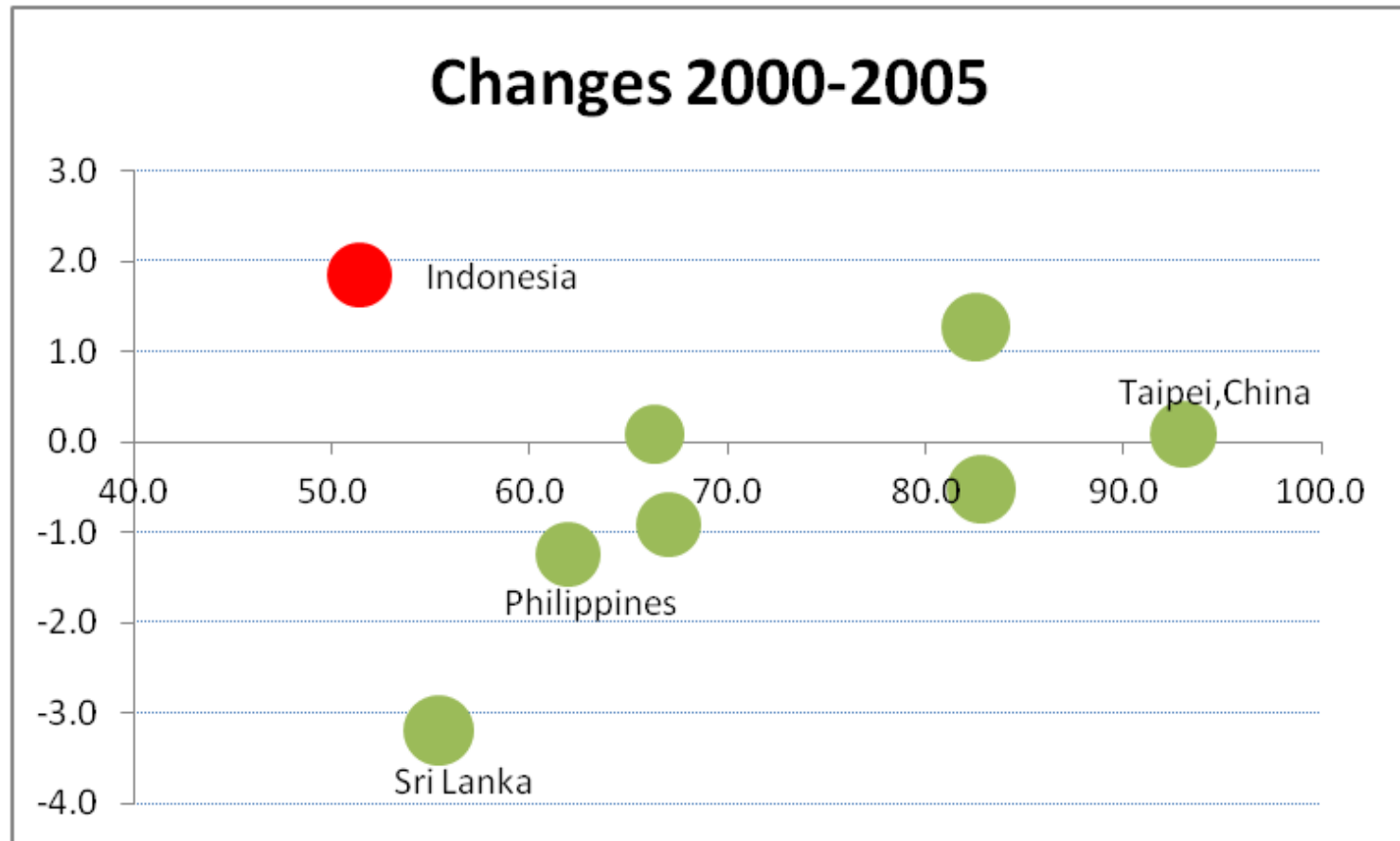
Informality and non-wage benefits

Box Figure 1.2 Benefits Received by Formal and Informal Wage Workers
(% of total formal/informal wage jobs)



Source: ADB (2011)

Increasing % of employees working at least 40 hours per week



Source: Flanagan and Khor (2011)

New ICITE book: *Policy Priorities for International Trade and Jobs*



Policy Priorities for International Trade and Jobs

A PRODUCT OF THE INTERNATIONAL COLLABORATIVE INITIATIVE ON TRADE AND EMPLOYMENT (ICITE)

Chapter 1

Trade and Employment in a Fast-Changing World

Read and download the full publication and individual chapters, as well as other material from the ICITE project, at www.oecd.org/trade/icite

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Policy Priorities for International Trade and Jobs

Edited by Douglas Lippoldt



 **A PRODUCT OF THE INTERNATIONAL COLLABORATIVE INITIATIVE ON TRADE AND EMPLOYMENT (ICITE)**

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