



TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

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TRADE, PRODUCTION PATTERNS AND JOBS

Session-5

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TRADE, PRODUCTION PATTERNS AND JOBS

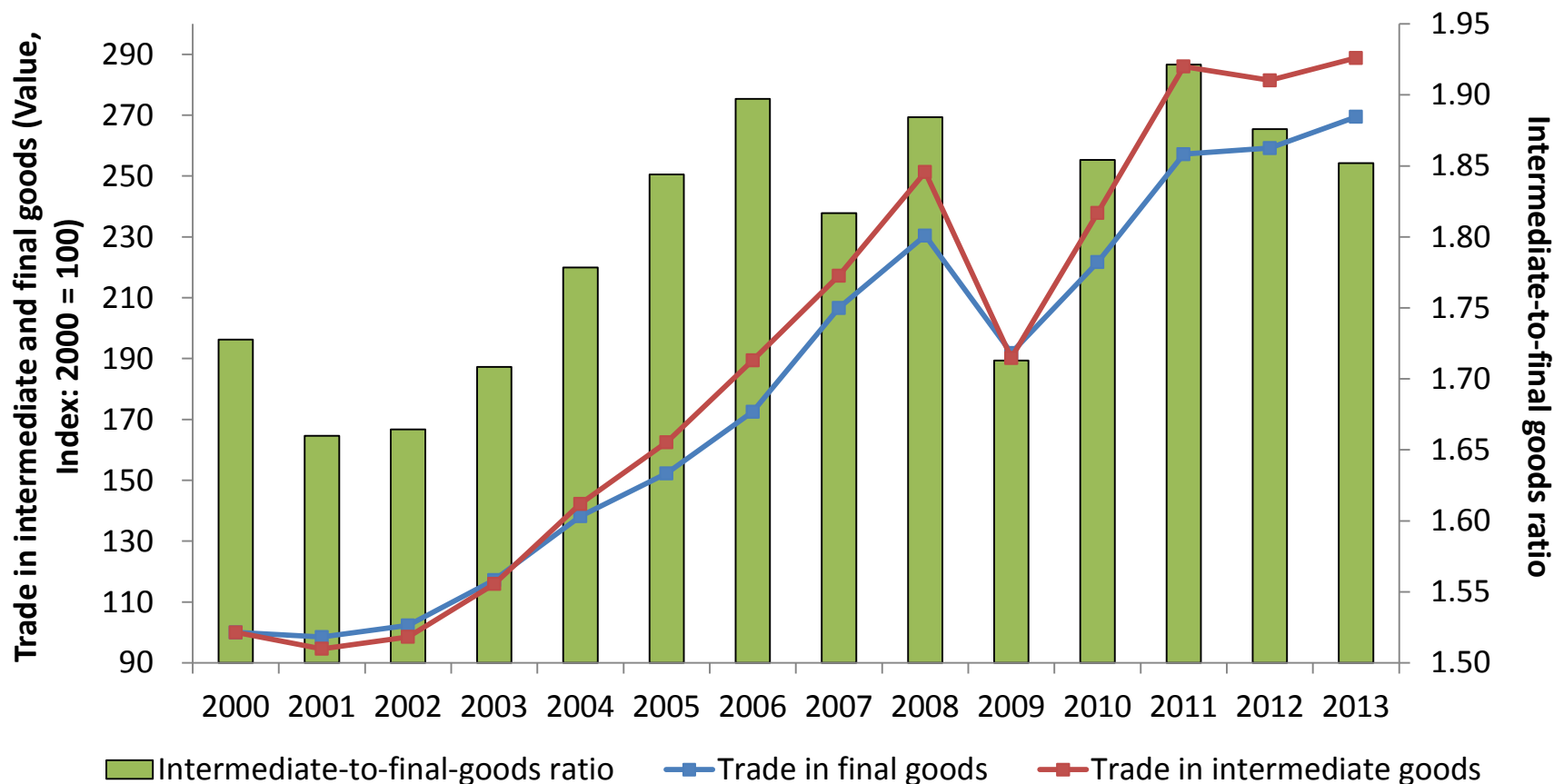
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ILO Research Department*

Structure

1. Estimates and trends in jobs related to trade: GSC participation
2. Interaction between trade policies and sectoral employment in GSCs
3. GSC impact on firms and workers
4. Policy challenges

Both trade in intermediate and final goods has been growing fast...

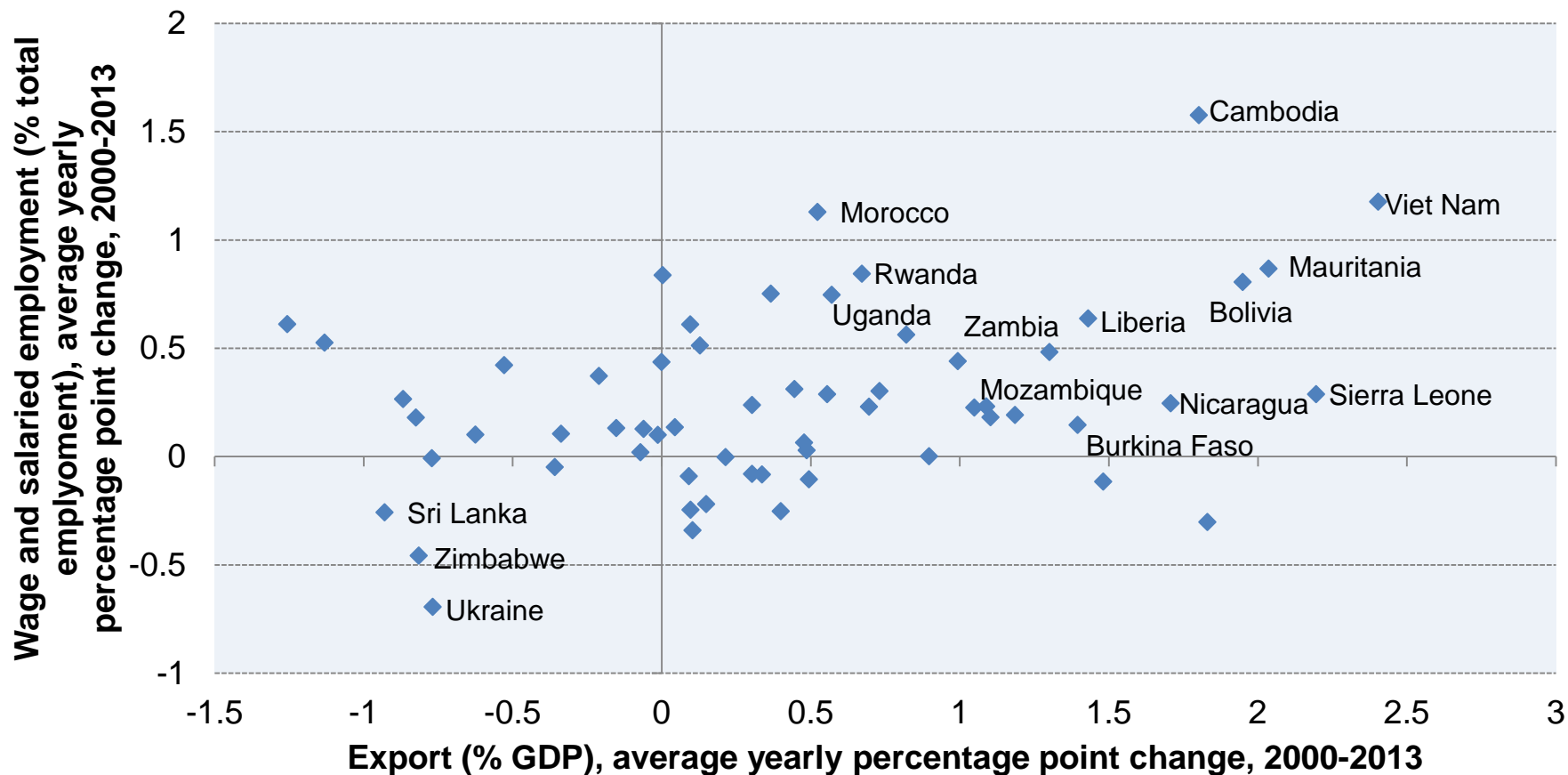
Global trade value in intermediate and final goods (Index, 2000=100)



Source: ILO Research Department calculation based on OECD STAN database.

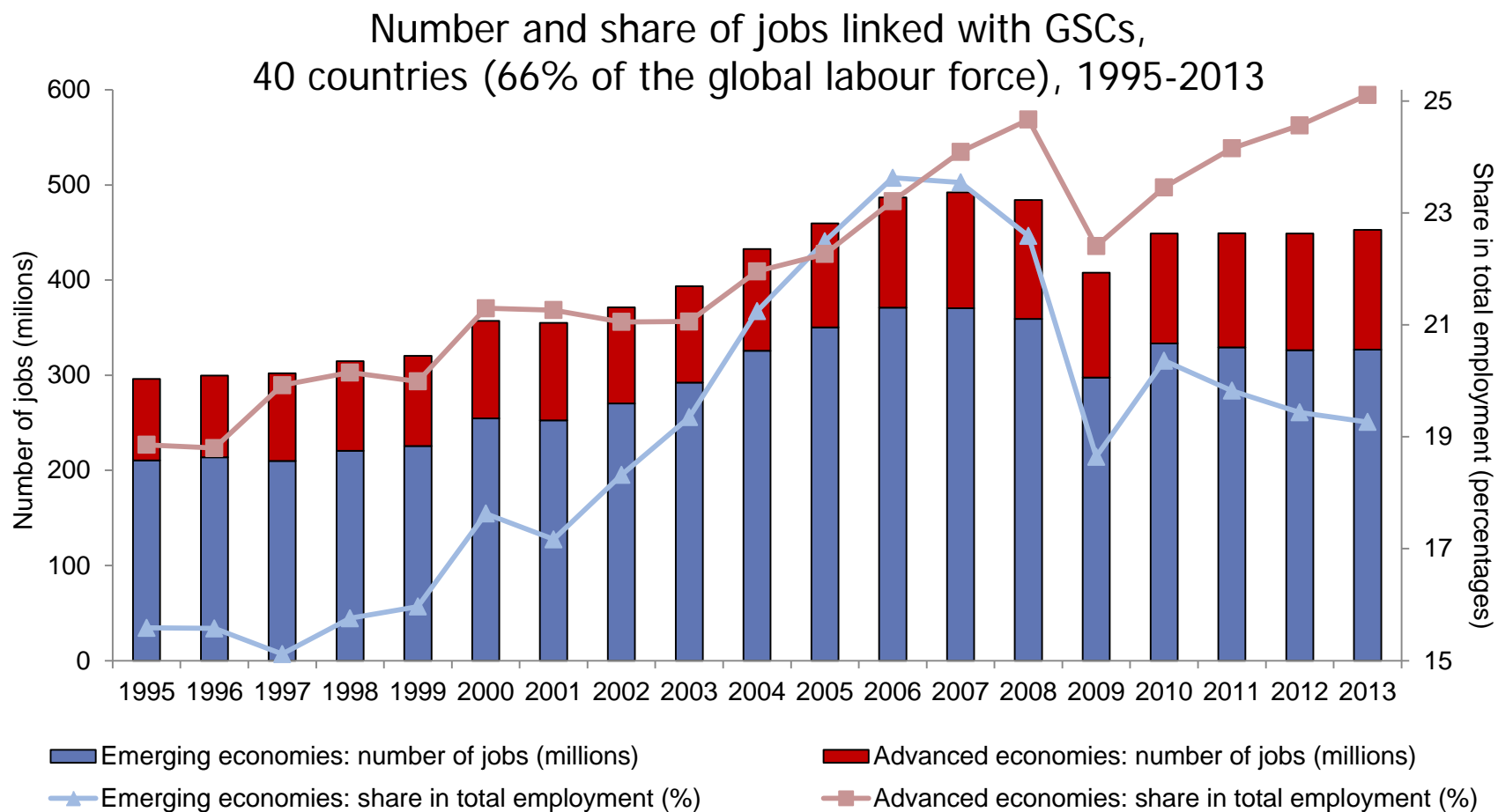
...with export growth and wage and salaried employment growing hand-in-hand...

Relationship between export and wage and salaried employment, 2000-2013, (% point change)



Source: ILO, *Trends Econometric Models*, April, 2015 and World Bank, World Development indicators.

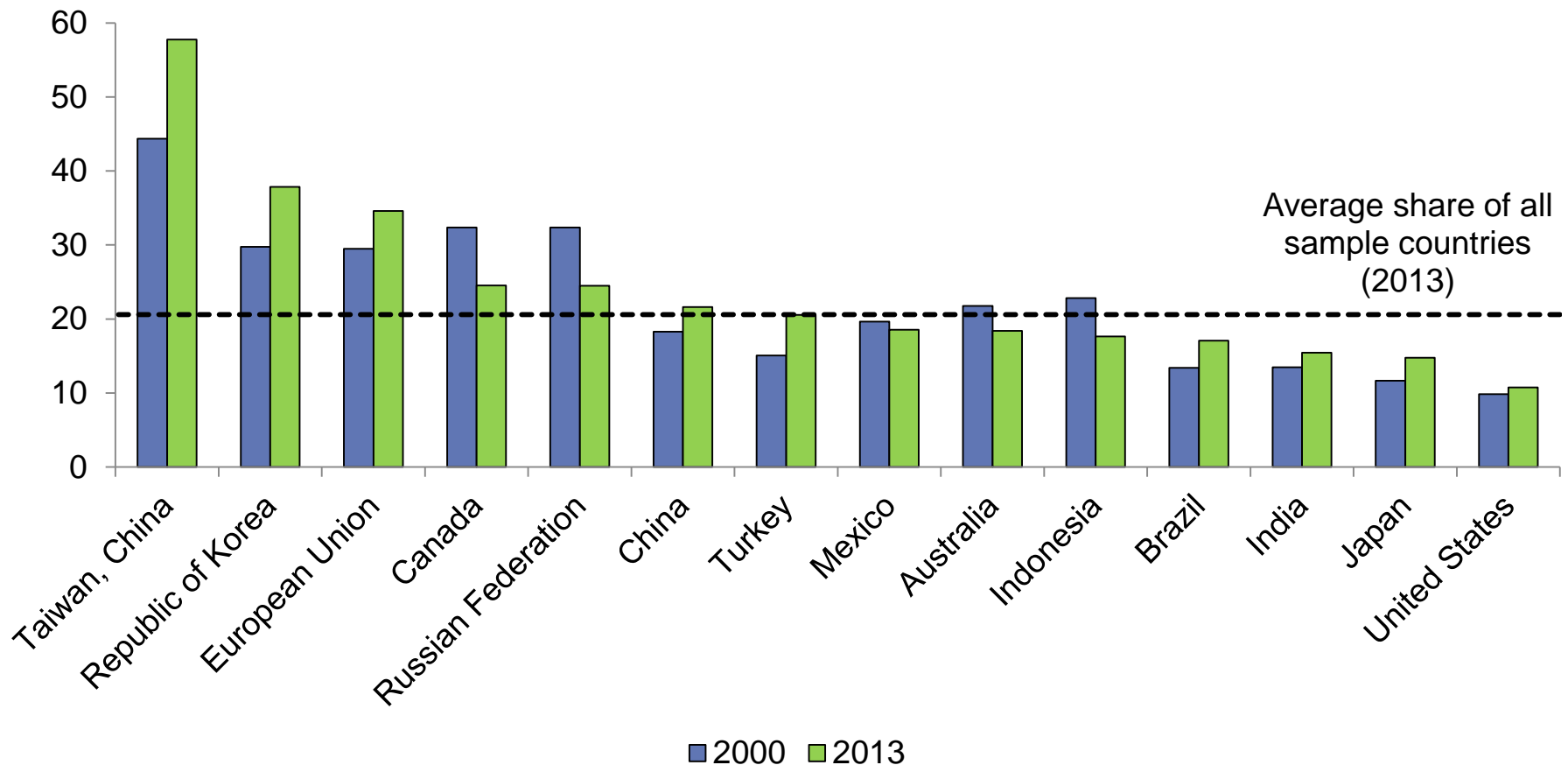
...and more and more workers in jobs linked to GSCs



Source: ILO Research Department estimates based on WIOD.

In most countries, the share of workers in jobs linked to GSCs has increased in the past decade...

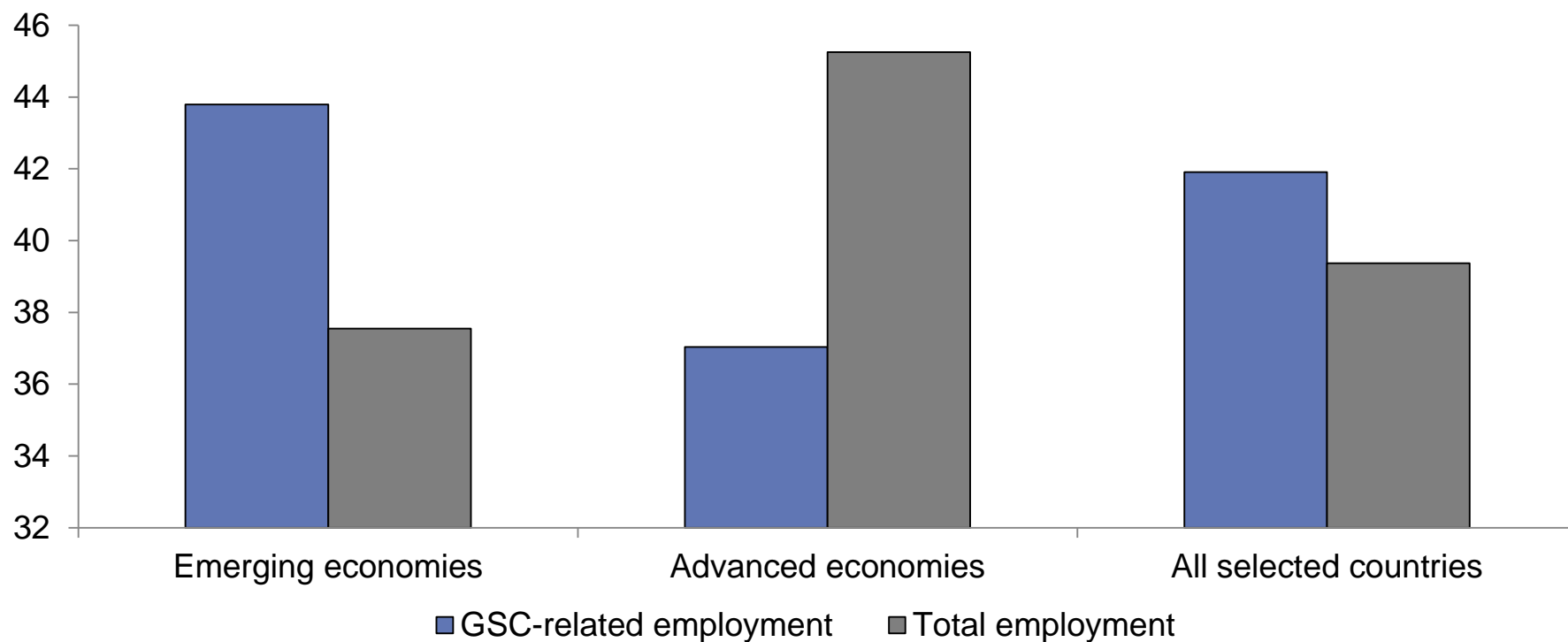
Share of jobs linked to GSCs in total employment (2000 and 2013)



Source: ILO Research Department estimates based on WIOD.

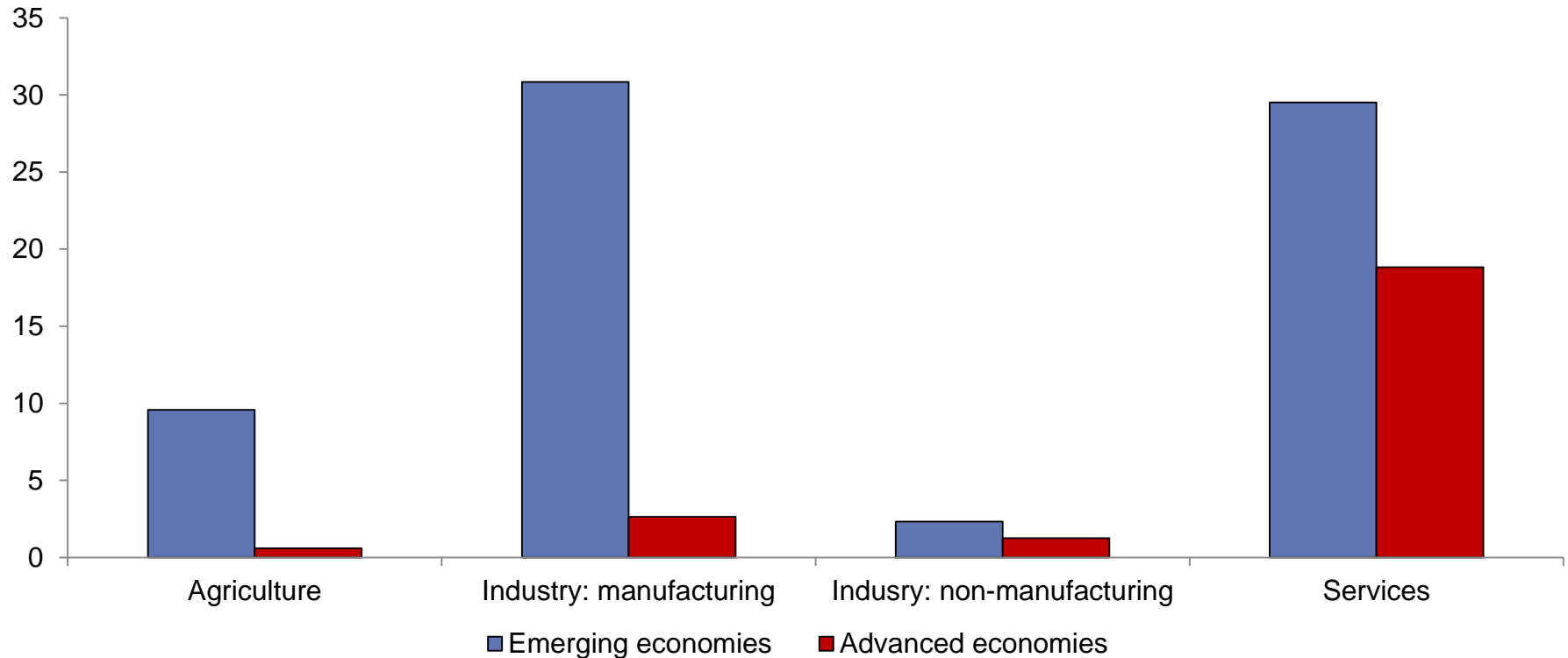
...particularly for women in emerging economies...

Share of females in GSCs-related and total employment 2013



Many of the newly created jobs linked to GSCs are in the service sector...

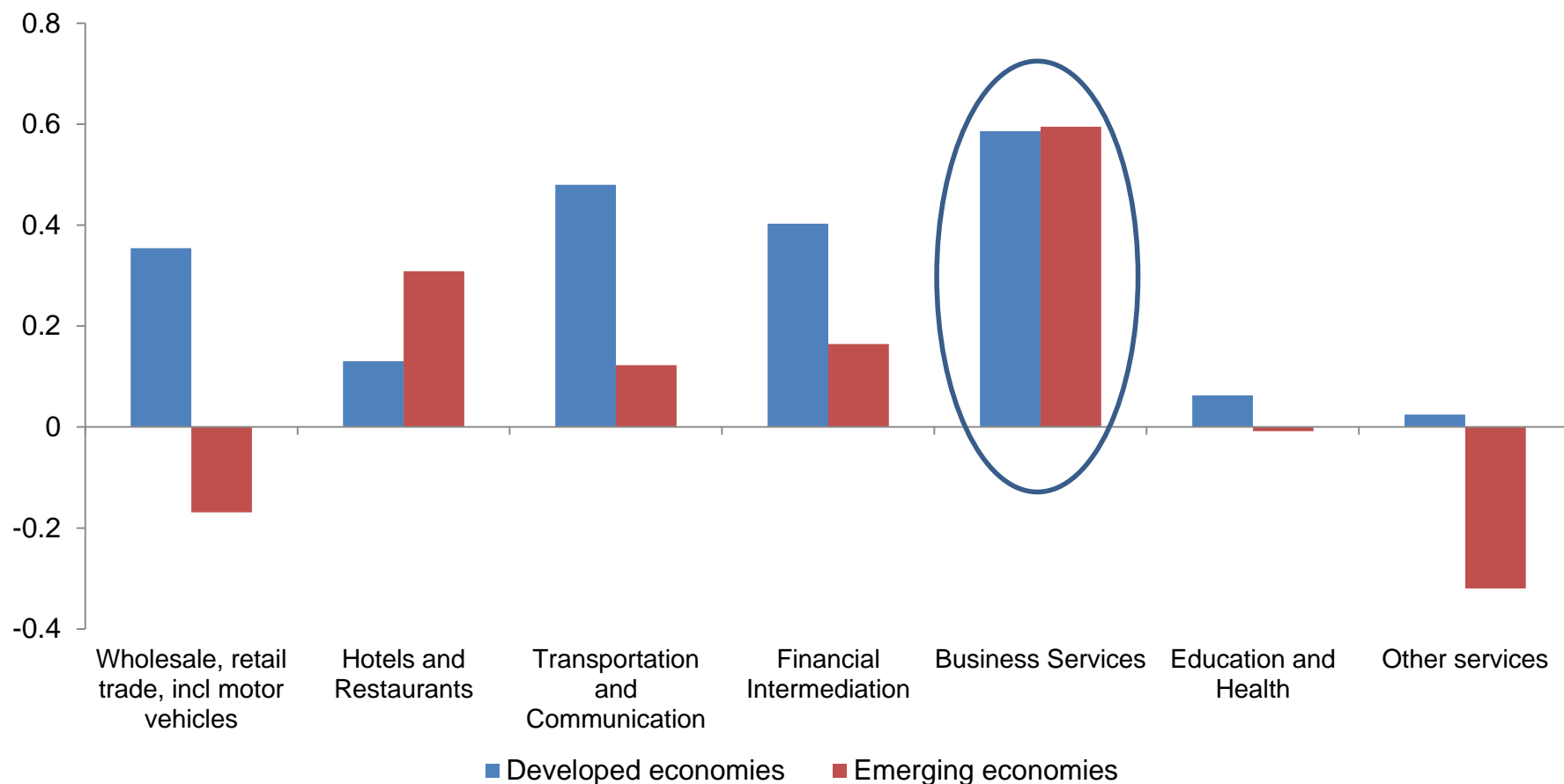
Change in number of GSC-related jobs by sector (millions), 2000-13



Source: ILO Research Department estimates based on WIOD and ILO, *Trends Econometric Models*, October 2014.

...and the share of GSC jobs in business services has increased

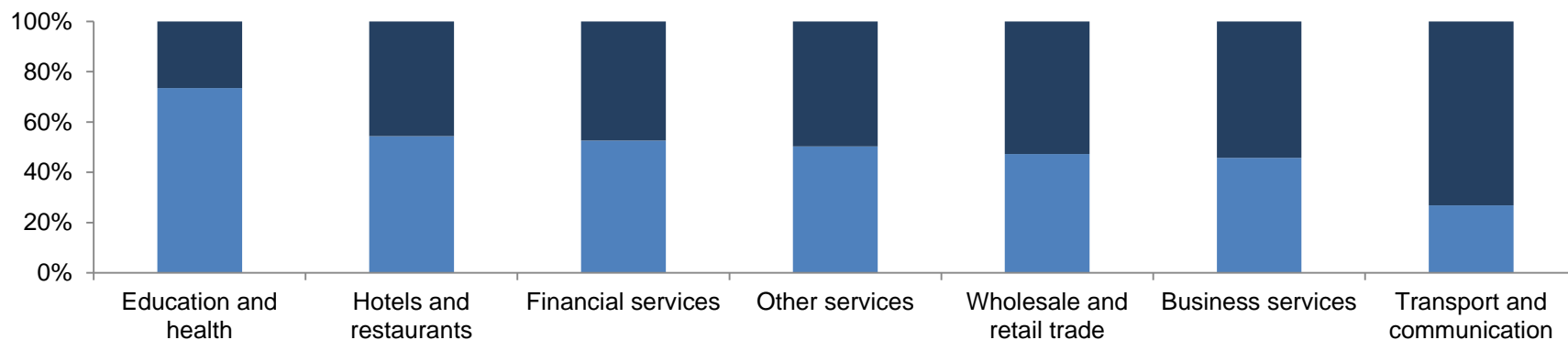
Annual change in the share of GSC jobs in total employment, 2000-11, by services sector (percentage points)



Women are not well-represented in some of the sectors that are related to GSCs

Share of women in services employment, 2014 (%)

Developed economies



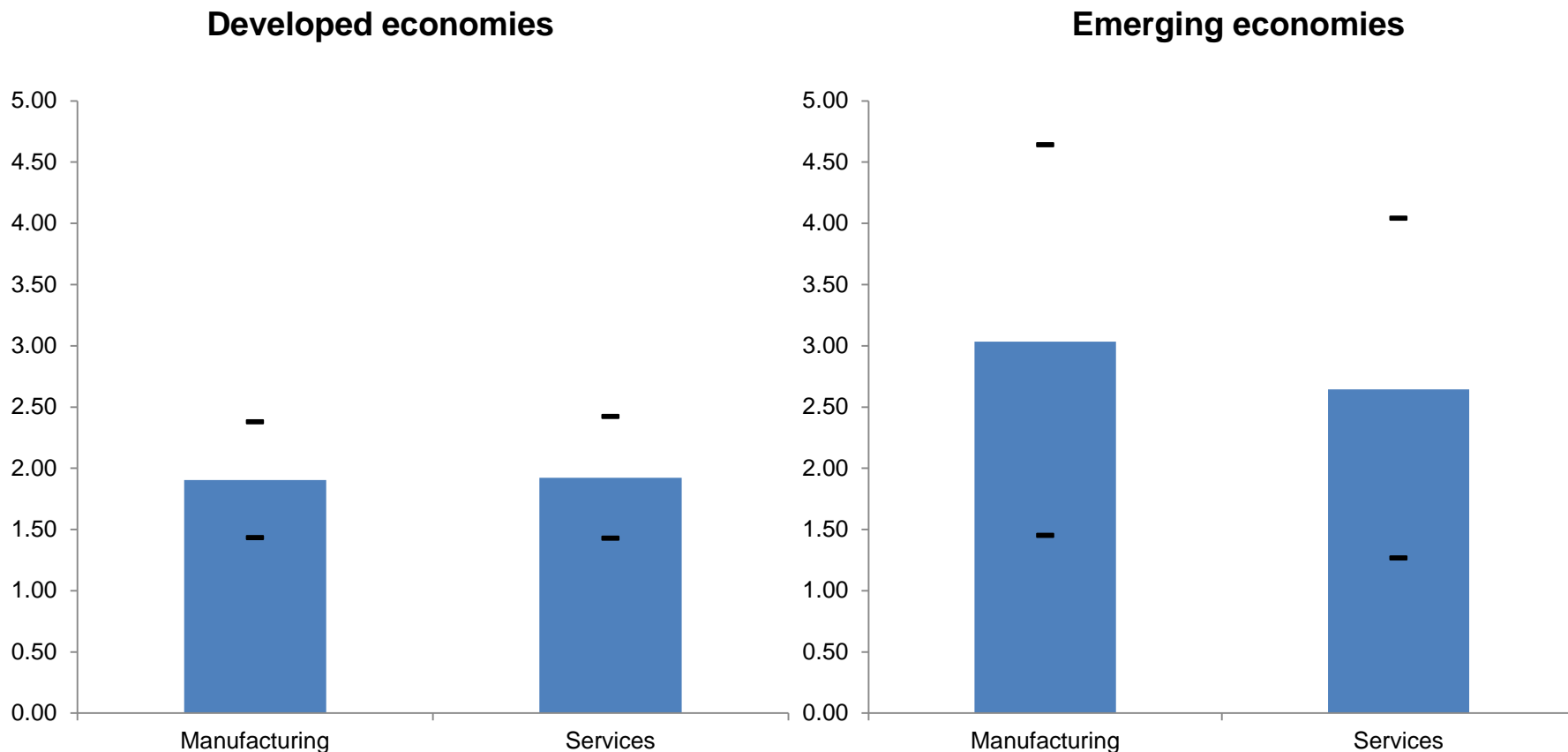
Emerging economies



2. Trade policies and GSC-related employment

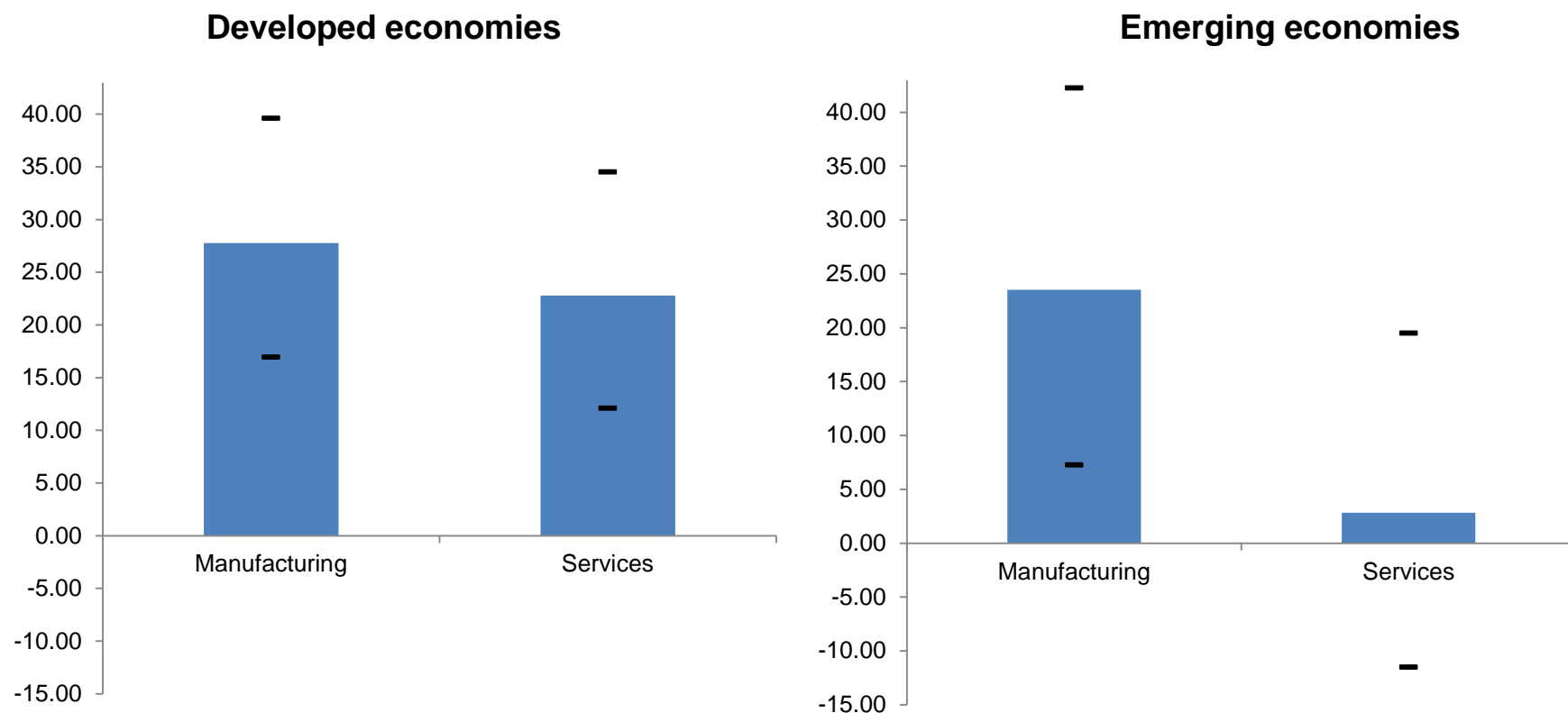
Liberalization of goods trade creates a large number of GSC jobs in services...

Estimated impact of a 1-pp-decrease in **trading partner's average applied goods tariff** on a country's number of related GSC jobs, by sector (in %)



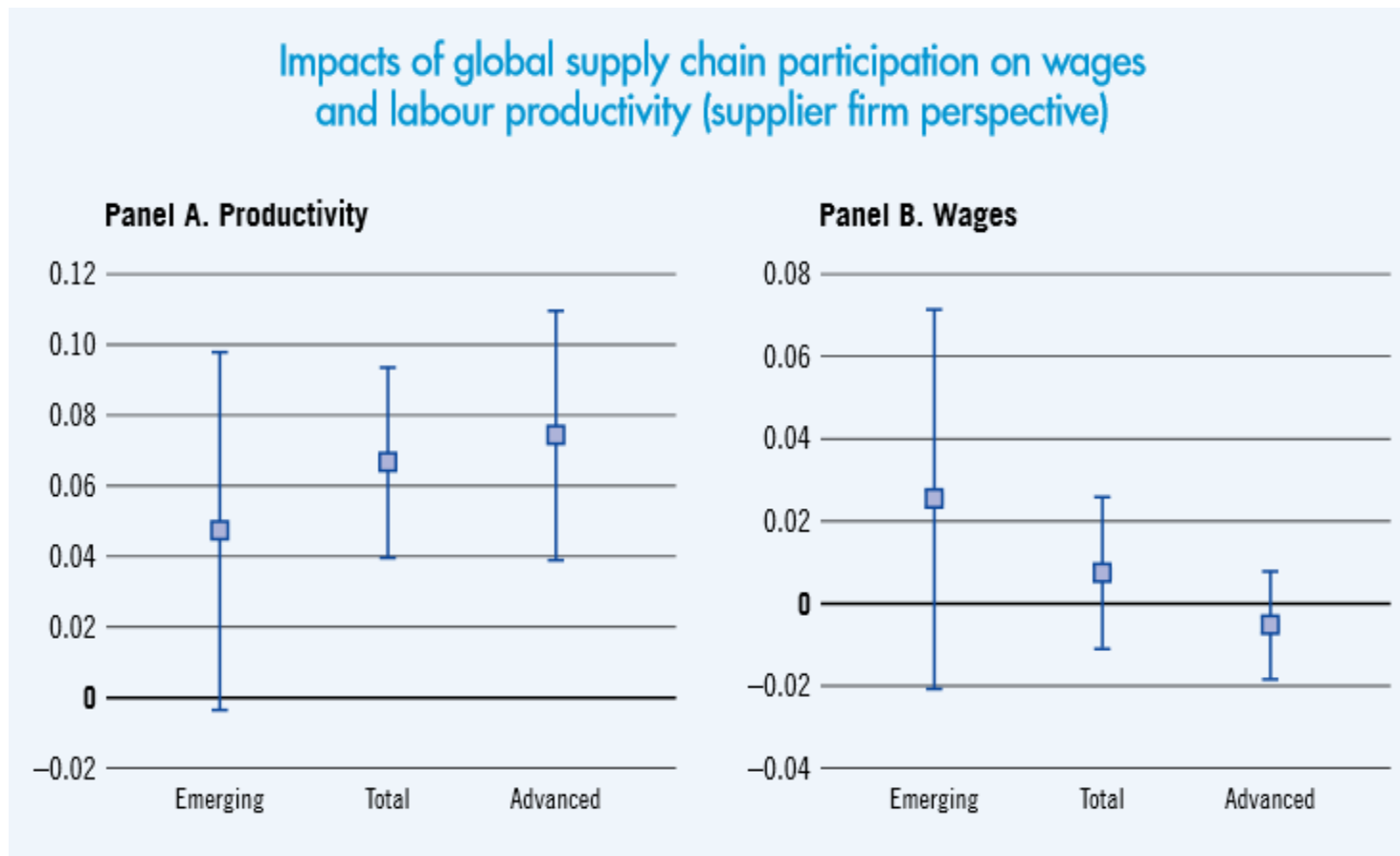
Trade agreements also foster GSC-related job creation

Estimated impact of the **presence of a trade agreement in force** on a country's number of related GSC jobs, by sector (in %)



3. GSC impact on firms and workers

... but the quality of employment and social upgrading require additional effort.



Notes: For detailed notes, see Chapter 5 of *World Employment and Social Outlook: The Changing Nature of Jobs*.

Source ILO Research Department estimates based on OECD Trade in Value-Added (TiVA) database and WIOD.

Nearly all firm level evidence support positive productivity impacts, but remains mixed on wages...

In *supplier firms*, GSC participation can **improve productivity** through:

- cause productivity gains through **economies of scale**
- create benefits from a **diversified client base**
- create **knowledge and technology transfers**: Brach and Kappel, 2009

In *supplier firms*, GSC participation **may not impact wages** because:

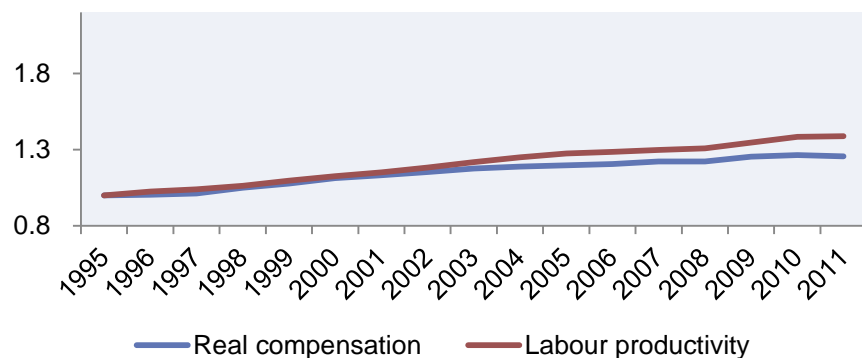
- there is **self-selection**, i.e. the entry into GSCs requires firms to be highly productive and hence pay higher wages: Javorcik, 2014
- there is little evidence for positive wage premiums **caused by** GSC participation.

Consequently, we find the wage share declining in most sectors.

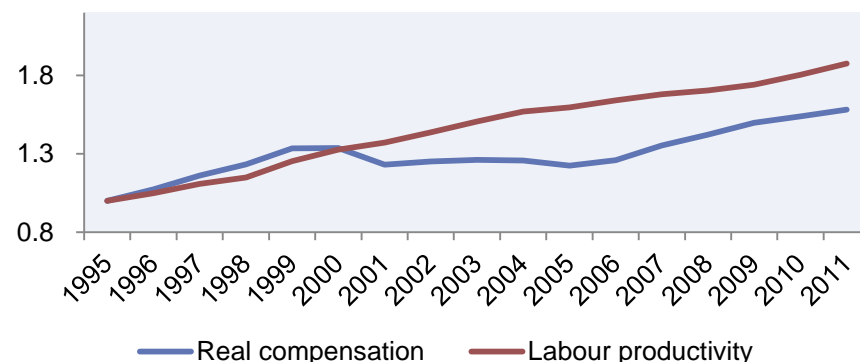
...there is declining wage share especially in countries with large shares of GSC-related jobs.

Divergence of labour productivity and real labour compensation growths (Index: 1995 = 1)

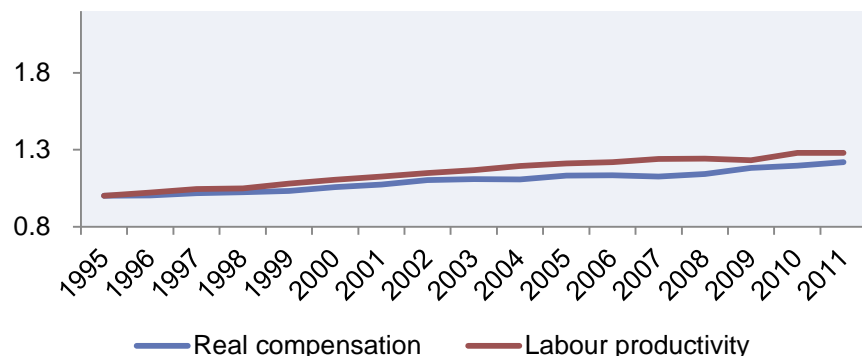
United States



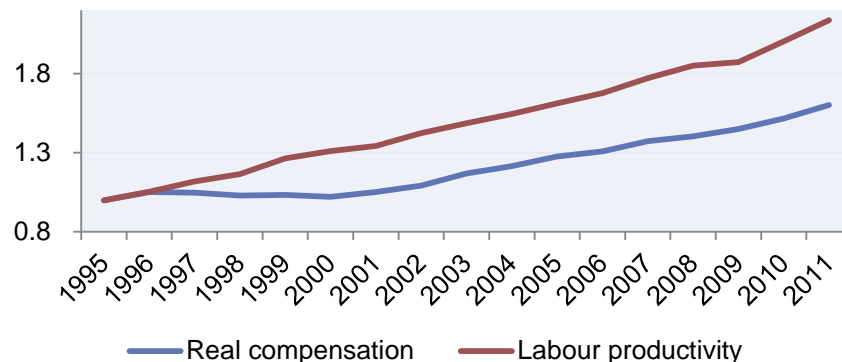
Poland



Japan



Korea



Source: ILO Research Department based on OECD Productivity database and World Bank.

4. Policy challenges

Achieving Decent Work in Global Supply Chains

Broad based policies to address wages gaps

- labour market regulations & institutions
- labour provisions in trade & investment agreements

Specific policies for countries, sectors, enterprises and workers

- enhance technological capabilities, SMEs
- enhance protection of temporary, vulnerable workers

Achieving Decent Work in Global Supply Chains

Social dialogue to foster sustainable outcomes

- Codes of Conduct, CSR: voluntary basis
- IFAs: instruments negotiated with global trade unions
- The ILO Better Work Programme
- The Bangladesh Accord on Fire and Building Safety

ILO World Employment and Social Outlook:
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Thank you!