

## Trade and Jobs

### *Opening remarks to WTO Forum panel 26 September 2012 by Stephen Pursey ILO*

I am delighted to be invited to join this panel and be here. As some of you may know the WTO building was the home of the ILO from 1926 to 1975. The ILO was founded in 1919 in what might be considered the wreckage of the first pre-1914 globalization to amongst other things prevent that “the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries.”

Since the onset of the current crisis, global unemployment has risen by around 30 million to over 200 million, labour force participation has fallen by another 30 million meaning that we now have 60 million fewer jobs than in 2007. 75 million of the unemployed are young women and men.

The global labour force is expanding by around 40 million a year.

But global output and trade growth are slowing which will push up these decent work deficits still more. An outright global recession in 2013 is a possibility unless the current policy thrust in the largest economies changes and some serious risks of disruption are avoided.

This is a difficult time for trade and employment policy.

The ILO and the WTO secretariats have collaborated on a research effort to understand better how trade opening and employment patterns connect. It provides solid evidence of three major features of this relationship which we probably already knew but can now confirm.

First, the structure and levels of employment emanating from increased openness can be more or less favourable to the labour force and to economic growth.

Put a different way, increased competition in bigger markets adds to the forces that Schumpeter aptly described as creative destruction. The creation of jobs and the destruction of jobs do not automatically match in time or place. And during a period of growth that is below potential, the loss of jobs in firms that are not keeping up is likely to exceed hiring by the more competitive.

Second, openness – while helping to buffer domestic shocks – can increase the vulnerability of labour markets to external shocks, as witnessed during the Great Recession.

Research by ILO colleagues on trade contraction and employment in India and South Africa during the global crisis points to the loss of nearly four million jobs in

India and about 900,000 jobs in South Africa, equivalent to about 1% of employment in India and 7% in South Africa. This was a result of declines in exports to the EU and the USA between early 2008 and early 2009.

The research importantly finds that the job loss mainly occurred in non-tradable sectors as the shock of recession in the world's largest markets rippled right through to the informal economies of the developing world.

Third, the gains from globalization are not distributed equally and some workers and firms may lose out in the short and even medium term. This highlights a neglected fact which is that the economies that have been the most open longest, the Nordics, have the most extensive systems of social protection.

We will be discussing this research at our forthcoming Governing Body and in particular what it suggests for policy.

So to conclude these opening remarks with some policy pointers, first, a better coordination of policies that support workers who decide or are obliged to change employers with the economic transformations that come with trade opening is essential to maximise its productivity and growth enhancing impetus.

Second, all countries, including the least developed, should be planning to build a social floor to protect against the vulnerabilities that trade can also induce. The ILO's new Recommendation 202 provides valuable guidance and a framework for international cooperation.

Third, strengthened education and training is essential to equip women and men with the skills needed to adapt to trade-induced employment change.

In all these fields we need to think about how aid for trade can help. Training is perhaps the obvious area on which to make a start.

And finally, while all of this can help meet the global jobs challenge neither trade opening nor smart employment and social policies is enough. We need to end this phase of beggar-thy-neighbour retrenchment and shift to coordinated macroeconomic policies for growth. If current trends could be turned around an integrated trade and jobs strategy could accelerate recovery.

Unfortunately that is a big "if" right now.