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