



Employment Trends and the Global Jobs Challenge

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The Global Jobs Challenge

Main argument



I. Global context for employment policies characterized by...

- a. A Great Recession, but also by**
- b. A Great Restructuring: Long term, game-changing Structural Trends**
- c. Conclusion: Global Jobs Challenge is not only to generate a certain volume of jobs but to do so under the fast job churning, structural changes and job redesign conditions induced by the Great Restructuring**

II. Policies to face the Global Jobs Challenge: What kind of growth generates jobs?



I. Global trends: A Great Reestructuring



1. **Demographic changes** will require strong employment and social protection policies
2. **New economic geography:** GDP, trade and investment are moving to the emerging South => vast middle class expansion and global consumption follows this change.
3. **Technology** is changing the nature of work
4. **New Geography of skills:** Education achievement gap remains large...and rising education levels are changing the nature of global competition for talent for companies and the opportunities for college graduates in both DCs & DgCs.
5. **Global Value Chains:** Globalization has accelerated their transformation
6. **Energy-efficient and low-carbon growth imperative:** is transforming production and labour markets.
7. **Global governance also restructured:** no single leader, a G-zero world! Requires collective action. Can it be delivered? How?



1. Demographic change... will require strong employment and social protection policies



- Improved longevity and fertility decline means profound shift in population structure – population ageing:
 - Globally share of population 65+ will swell from 6.9% in 2000 to 22.3% by 2100 (in Japan from 17.2% to 31.6%)
- Most developing countries will still enjoy a potential «demographic dividend», but for this to be a factor of prosperity young people must find good jobs
- Demographic change requires major adaptation employment and social protection systems, including pension coverage
- Migration flows, both internally and internationally will also swell. Key issues:
 - How to ensure that the development potential of migration is fully realized?
 - How to take advantage of the cross border exchange of ideas, talent and knowledge enabled by migration?



2. Shift in economic and political geography: « rise of the rest »



- ***A new geography of growth:***
 - Non OECD weight as % of world GDP: 40% in 2000, 49% in 2010, 57% in 2030
 - By 2030 China+India = 35% of world population, 25% of world GDP
 - Major shifts in production and consumption patterns-OECD, *Shifting Wealth*.
- The rise in demand from the vast and expanding Chinese and Indian middle classes will be one of the main drivers of global demand – the greatest consumption story in modern history! (Stephen Roach)
- This, plus rise in wages in China, will open opportunities for exports of manufactured products from LDCs- export led model not dead!
- But... Emerging markets will moderate their rate of growth because key drivers of growth are reaching a mature stage, (S. Ruchir, *Breakout Nations*, pool of surplus labour dries up, limits to employment growth in manufacturing, « too big to boom », etc)
- Resource exporters have benefited greatly, but gains concentrated, and sustainability of resource-based export booms under threat.



3. Technology is changing the nature of work



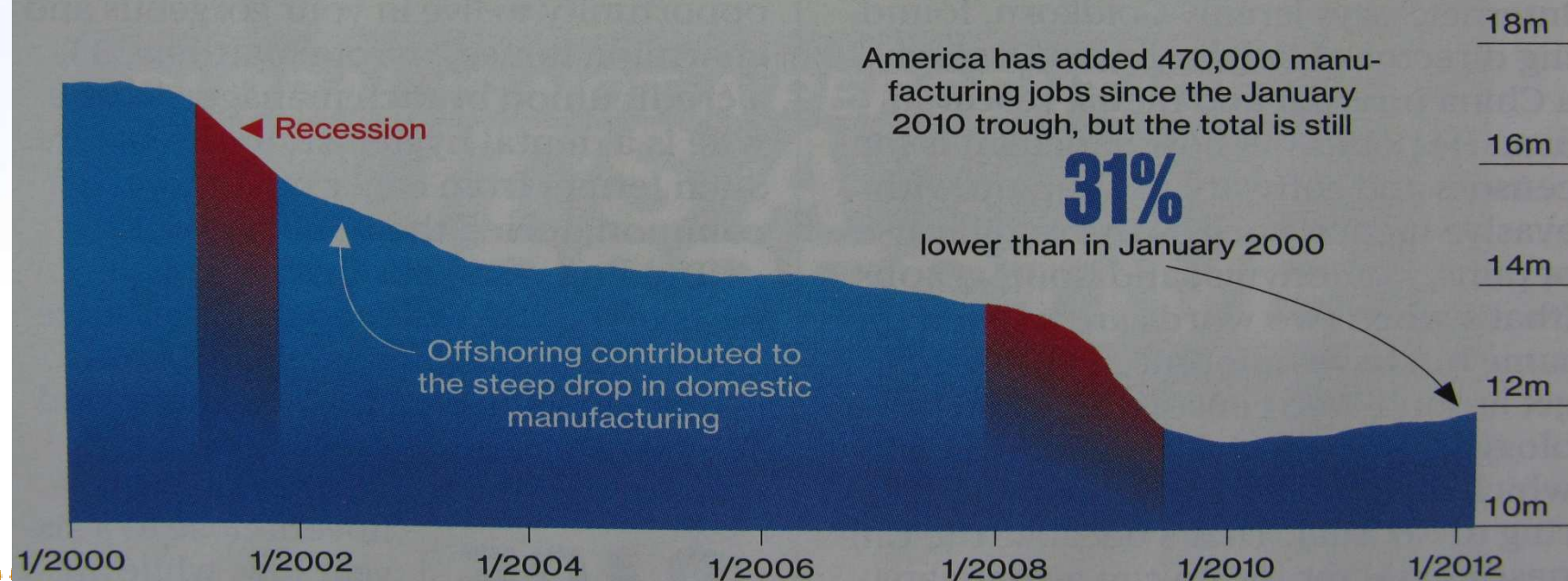
- Currently a new wave of technological change is sweeping **manufacturing** and **services** sectors
- Robots, computers, automation is changing the potential of **manufacturing** to create jobs: manufacturing can be a major contributor to GDP and productivity growth but with more modest contribution to job creation
- Several manufacturing powerhouses have experienced declining manufacturing employment - see graph
- The jobs of the Knowledge economy –**interaction jobs in services**– have been the fastest-growing categories of employment: managers, engineers, salespeople, doctors, lawyers, teachers, (McKinsey Global Institute –*Help Wanted: Future of Work in Advanced Economies*)
- New technologies and internet are bringing a new wave of redesign in these jobs: some aspects are positive for employers and workers, but some present great challenges in terms of skills policies, contractual arrangements and social protection.



US lost 31% of manufacturing jobs in the last decade!



The Long Goodbye: Number of U.S. Manufacturing Jobs



4. New Geography of Skills



- Despite remarkable progress in primary and secondary education, the quality of education in many countries is lagging behind and large problem of skills mismatch.
- No sufficient competencies in basic academic skills, reading, writing, arithmetic. As a result, actual goal of universal education –minimal set of skills- not being met.
- Gender disparities in primary and secondary school enrolments have narrowed but they persist
 - Global gender divide means that 3.6 million girls are missing from primary school (2011, Unesco, EFA Monitoring Report)
- The achievement gap between DC and DgCs remains large (Filmer, Hasan, Pritchett, 2006)



4. ... and rising education levels are changing the nature of global competition for talent



- **Great doubling:** in just ten years from 1996 to 2007 the numbers of undergraduate and postgraduate enrollments increased from 72 million to 136 million in a group of 113 emerging and Developing Economies.
- The idea that developed economies have the monopoly of having smart people doing smart things in smart ways is no-longer applicable, at least automatically. (Brown, Lauder, Ashton, *The Global Auction: The broken promises of education, jobs and incomes*, 2010)
- With the spread of knowledge in emerging countries, the idea that in developed countries the next generation of young people will have good jobs and social mobility assured if they invest in education, and that “learning equals earning” is being questioned
- Emerging economies increasingly have **high-skill, low-wage workforces** capable of competing successfully for high-tech, high-value-added employment. This is influencing patterns of location of production and outsourcing worldwide.



5. Globalization of production is accelerating transformation of GVC



- Growing importance of GVCs
 - Trade in intermediate goods grew from about 1 trillion USD in 1993 to roughly 6 trillion USD in 2008, before falling during the crisis of 2009. (UNCTAD, Trade and Development Board, 2011)
 - World trade grew 65% faster than world output from 1990 to 2008. It now amounts to nearly half the value of global income, compared to under 20% in 1960. (European Commissioner for Trade, 2012)
 - In 2008 international trade generated 20% of the total employment in the world (605 million jobs), growing from 14% in 1995 (334 million jobs).
- Global Crisis of 2008-2009 reinforced and underscored the importance of GVCs and has accelerated shifts in global demand and production
- Challenges for Development related to the growing importance of Southern Markets as dynamic end markets:
 - There are opportunities especially for countries and firms with rising capabilities (new entry and upgrading GVCs), but many countries are threatened being left on the periphery .
 - Possibility of pressures towards reduction in Environmental and Labour Standards of GVCs when demand -for both final and intermediate goods - comes from developing countries (Kaplinsky).
- Thus growing importance of GVCs presents opportunities and challenges



6. Energy-efficient, low-carbon growth imperative



- Growth has come at the cost of unsustainable environmental degradation (energy, water, oceans, natural systems, other resources).
- Increasing global consensus around objective of shifting to energy-efficient, low-carbon growth paths
- Green growth paths will induce major adjustments in labour markets, ***creative destruction*** similar to trade:
 - Opportunities for new green jobs
 - Job destruction in non-competitive, unsustainable technologies and sectors
- Green growth and climate change will increasingly be new and strong sources of labour market adjustments (demand for new skills, skills mismatches, job destruction, etc).



7. Global governance requires collective action, yet... no single leader, a G-zero world!



- Today greater and deeper interdependence to manage, closer global and local networks, social networks.
- Yet, many players with no clear power-center, no single hegemonic superpower, instead, a polycentric, multipolar world, greater plurality of actors.
- Opportunities for rising middle powers, but collective action limited by fragmentation and lack of common vision
- Major challenges to exercise & manage collective action:
 - Leadership: who leads in a multipolar world?
 - Efficiency: naysayers can block decisions, local politics blocks global action.
 - Coherence: overcome specialization
 - Legitimacy: sense of community, proximity, togetherness,
- Rise of regionalism:
 - Shift of governance FWs to regions, but...
 - Weakened by proliferation of informal inter-state networks
- Trans-national non-state actors & networks, empowered by new technologies, will establish new forms of cooperation, and provide impetus & strength to social movements (networked advocacy), many global initiatives but a governance gap





II. Policies to face the global and national jobs challenges

What kind of growth generates the good jobs/decent work needed to increase living standards?



The old policy mantras do not work



- The belief that macroeconomic policies per se and de-regulation are the top priorities for the state to create an enabling environment for growth;
- The idea that infrastructure in developing countries can satisfactorily be developed by the private sector alone;
- The tendency to prescribe pro-cyclical macroeconomic policies and “too much” fiscal tightening and inflation targeting subordinating social policies to the imperatives of austerity;
- The idea that the best state is the one that gets out of the way;
- The notion of perfectly efficient markets;
- The notion that the financialization of the economy was for the best of all possible worlds.



What kind of growth paths generate decent jobs?



- High, balanced and sustained growth
- Diversified in terms of products and exports and their technological content
- Accelerated in terms of learning processes and capabilities accumulation – catching up growth!
- A certain threshold in the investment rate
- A certain threshold in investment in education/skills systems and in infrastructure over the years.
- A strongly enabling environment for enterprises, in particular SMEs and start-ups
- A type of structural change which upgrades value chains and is productivity enhancing, --not productivity reducing--. (Climbing the ladder!)
- Socially inclusive:
 - building social protection floors for the provision of basic income security and medical care to all in need
 - social policies that target vulnerable groups

