



International  
Labour  
Office  
Geneva



## Assessing and Addressing the Effects of Trade on Employment (ETE)

Trade negotiations – bilateral, regional or multilateral – routinely lead to debates on the implications for employment. There are promises of new and better jobs as well as concerns over job losses and pressure on wages and labour rights. Factual assessments of the employment and distributional impacts of trade agreements are, however, rare. The International Labour Organization (ILO) project ‘Assessing and addressing the Effects of Trade on Employment’ (ETE), funded by the European Union (EU), tries to address this.

# ETE PROJECT OVERVIEW

Innovations and revolutions in transportation and communications and the removal of trade barriers have reduced the costs of international trade and facilitated the participation of increasing numbers of workers in global supply chains. Men and women who work in tea and coffee plantations, cotton farms, textile factories, petroleum companies, manufacturing firms, and auto assembly plants all over the world earn their living by producing and supplying, directly or indirectly, goods and services mainly to consumers located in foreign countries. Despite global integration, these workers remain far removed from the people who buy their produce.

### Main activities of the project



### Main objectives of the project

**1) Develop knowledge tools** that can support the formulation of coherent trade and labour market policies at the national level, based on sound data and diagnosis, with the involvement of the social partners.

**2) Enable the design of effective and coherent trade and labour market policies** that maximize employment-related opportunities created by trade and minimize the adjustment costs of trade-induced economic restructuring.

## 1. METHODOLOGY, TOOLS, AND ASSESSMENTS

Methodology and tools are developed and adapted to the policy and institutional context of the country and implemented to produce assessments.

### Activities:

- Existing national policy priorities for trade and employment are identified and assessed with regard to national development objectives.
- The state of relevant national statistical data, availability of local experts, and applicability of ETE methodology and tools are assessed.
- ETE methodology and tools are adapted and implemented to produce assessment reports on various topics (e.g., agriculture, services, regional trade agreements, the informal economy, women's employment, youth employment, etc.) identified as relevant to national policy priorities for trade and employment.

## 2. TRAINING IN TRADE AND LABOUR MARKET POLICIES

Representatives from governments and social partners are trained to build a common understanding of concepts and issues and provide an effective basis for policy discussions on addressing the effects of trade on employment.

### Activities:

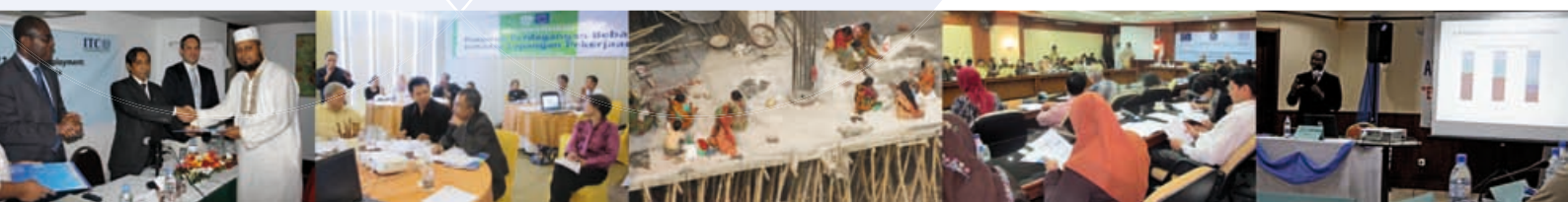
- The needs and capacities to engage in discussions on trade and labour market policies of representatives from governments and social partners are assessed.
- Knowledge-sharing seminars and technical-training workshops are conducted according to the different needs and capacities of representatives from governments and social partners.

## 3. SOCIAL DIALOGUE

A multi-actor platform with a tripartite core is established in each selected partner country and assessment results are discussed with a view to formulating effective and coherent trade and labour market adjustment policies that address the effects of changes in trade patterns, particularly in the context of negotiations and monitoring of trade agreements.

### Activities:

- An ETE Policy Working Group (PWG) with representatives from relevant line Ministries (e.g., Labour, Trade, Industry, Planning, Finance, etc.), representatives from the social partners (e.g., trade unions and employers' organizations), and staff of national statistical agencies, specialized agencies (e.g., Customs, Export Promotion) and academic institutions are invited to form a multi-actor platform, to share knowledge on national policy priorities for trade and employment, and to discuss a framework and modalities for policy discussions on trade and employment.
- Assessments are discussed in ETE PWG meetings to clarify the positions of various stakeholders on topics identified as relevant to national policy priorities for trade and employment and to facilitate the convergence of positions.
- Policy statements on trade and employment are synthesized from the ETE PWG meeting discussions and feed into the publication and dissemination of a National Country Report on Trade and Employment Policies.



## Uneven benefits and costs

It is well known that developing-country workers have to grapple with scarce formal employment opportunities, limited mobility, weak educational and vocational training systems, and insufficient or ineffective labour-market policies and labour regulations. Under these far-from-perfect conditions, the unprecedented integration of labour markets through globalisation has been a significant challenge for developing countries.

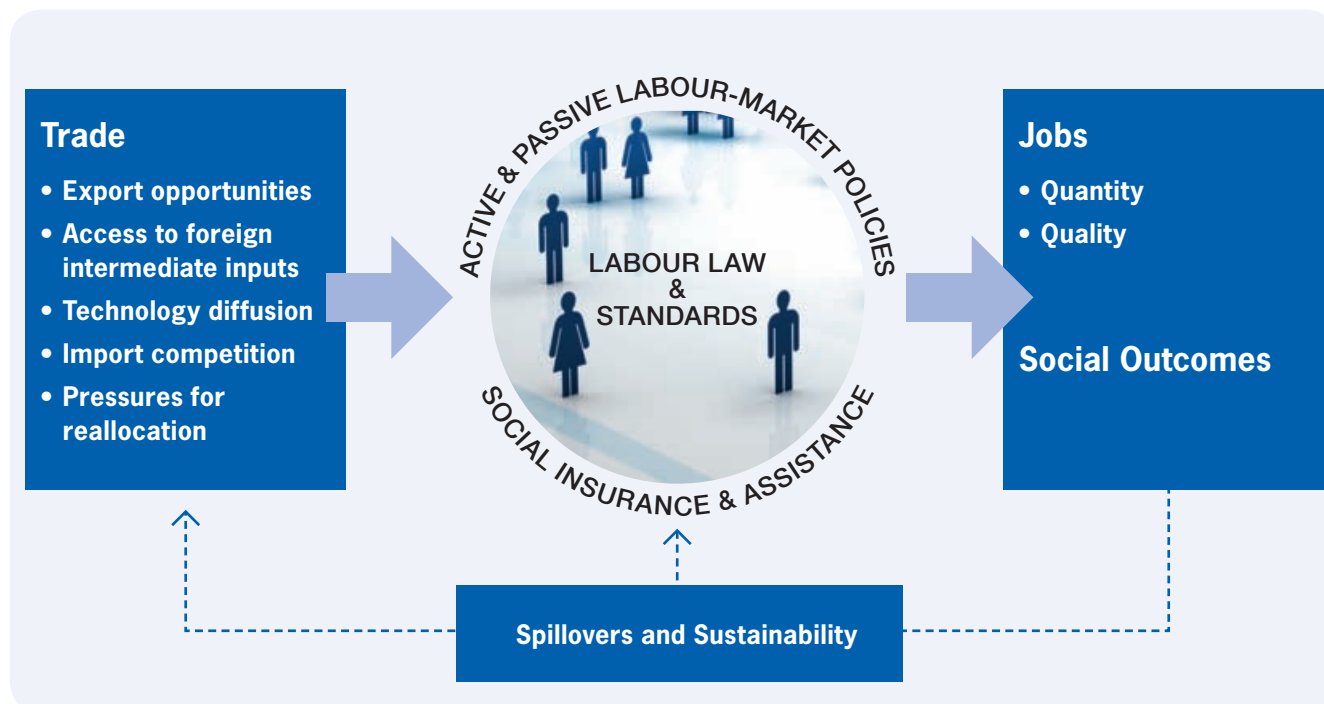
Early studies at the end of the 1990s by the ILO on the effects of trade on employment found that the labour-market effects of trade liberalization had been felt mainly in industrialized economies and only in a few developing economies that had become important exporters of manufactured goods. More recent research conducted within the ILO's Trade and Employment Programme has confirmed not only the uneven effects of trade on different groups of countries (i.e., by region or level of development) but also on different groups within countries.

## The links between trade and employment

Trade offers access to foreign markets, intermediate inputs, and technology that are unavailable domestically or are locally produced at high cost. At the same time, trade brings in import competition and pressures for reallocation. Labour-market institutions serve to mediate the impacts of trade liberalization on workers. They can facilitate the realization of opportunities and mitigate the challenges posed by trade liberalization. To some extent, they can also shape comparative advantage and influence trade policy.

The interaction of trade policy with labour-market institutions determines the quantity and quality of employment. In addition, the interaction of trade policy with labour-market institutions determines social outcomes such as the distribution of benefits and costs from trade, and the pace of social change. These feed into the overall sustainability of the economy. If these outcomes reflect the needs and expectations of the population, then there will be a virtuous circle of engagement with global markets and social progress.

## Labour Market



## Harnessing global markets for decent work

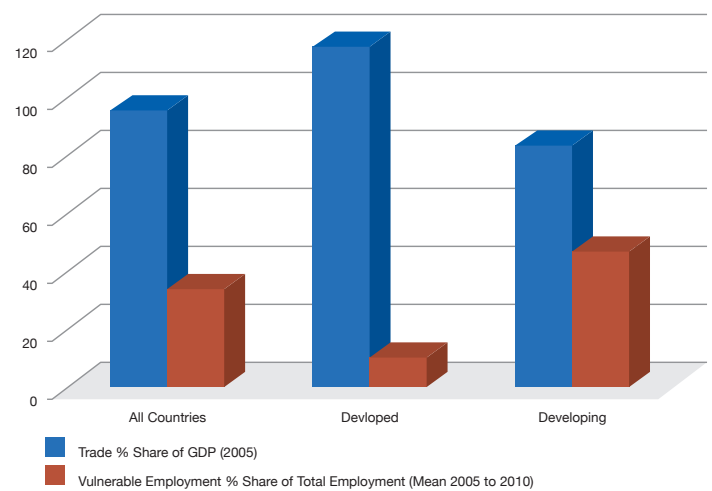
Addressing the effects of trade on employment has to be done carefully, comprehensively, and in a coherent policy framework. It is absolutely essential that trade and employment policies are embedded in national development plans and that these plans pursue inclusive and sustainable development. Because trade and investment liberalization induce economic disruption and social dislocation, adjustment policies should, at a minimum, provide for assistance to the most vulnerable segments of society. The ILO's research and experience in technical cooperation activities on the impact of trade on employment, particularly in the EU-funded project, "Assessing and Addressing the Effects of Trade and Employment (ETE)", offer the following insights:

- Trade and labour policies should reconcile the protection of workers' welfare with the promotion of firms' abilities to adjust to changing conditions;
- Trade reform should be undertaken gradually and accompanied by appropriate adjustment policies and safeguard measures;
- Governments have the responsibility to provide social protection against trade-induced hardship and to create enabling conditions (i.e., governance, infrastructure, and information) so that workers and firms can take advantage of opportunities from trade;
- Intra-governmental coordination is crucial to ensuring coherence between trade and employment policies;
- Consultation of and knowledge-sharing with national representatives of firms and workers and other members of civil society are key to ensuring the effectiveness of trade and employment policies;
- Private actors have the responsibility to participate in trade-related consultations and to share relevant knowledge, experience, and resources in making trade and labour policies effective;
- Women workers and the informally employed tend to be disadvantaged in the context of international trade and would benefit from effective gender-equity and formalization policies;
- Small- and medium-sized firms employ the bulk of workers but would need better access to capital and support towards participation in global supply chains in order to benefit from international trade.

## Global partnerships and social perspectives

Since 2010 the International Collaborative Initiative on Trade and Employment (ICITE), which comprises ten international and regional organizations (including the ILO), has helped to expand the knowledge base on policy approaches to market opening that help workers and communities adjust to the more competitive environment that results. The UN Global Compact, and more recently the Business and Human Rights principles, are other UN-related international policy initiatives contributing to align the operations and strategies of national and multinational firms with universally-accepted principles in the areas of human rights, labour, environment and anti-corruption. A global commitment to deal with social and economic insecurity is a necessary condition for providing legitimacy to the globalisation process. The 2011 joint ILO and World Health Organization (WHO) report *Social Protection Floor for a Fair and Inclusive Globalisation* by the Social Protection Floor Advisory Group, strongly advocates this.

Trade reforms, if designed in coordination with appropriate labour policies, can limit the displacement of workers to the informal sector over the medium and long term.



Sources: World Bank's World Development Indicators (2012) and ILO's Key Indicators of the Labour.

Notes: The trade percentage share of GDP is the sum of the total value of exports and imports divided by GDP. The vulnerable employment percentage share of total employment is the number of unpaid family workers and own-account workers divided by the total number of employed workers.

