Launch Lecture of the UNCTAD Trade and Development Report 2010

Employment, labour markets, and development

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Employment, Globalization and Development

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EMBARGO

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After the crisis: an uneven and fragile recovery
Global economic recovery remains fragile

World output growth, 2004 to 2010 (forecast)
Financial rescue packages prevented the collapse of financial markets

GDP growth in developed economies, 2004 to 2010 (forecast)
Global recovery and rebalancing: current situation and prospects

- Developing countries at the vanguard of a potential recovery
- China, most decisive in fuelling domestic demand through stimulus measures
- China, and to a lesser extent India and Brazil, are leading the recovery, not only in their respective regions but also in the world
- Renewed risk appetite and widening interest rate differentials in favour of emerging economies could generate upward pressure on their exchange rates and may require currency market intervention
The recovery in developed countries resembles pre-crisis patterns

Current-account balance, fiscal balance and real GDP growth, 2005-2010
The recovery in developed countries resembles pre-crisis patterns

Current-account balance, fiscal balance and real GDP growth, 2005-2010
A weakening of global coordination and of the G-20 process

Real effective exchange rate, Jan 2003 - May 2010
Deflation in Japan for the past 20 years

Japan: National Disposable Income
Billions USD

Real National Disposable Income Yen

2005


Real National Disposable Income
National Disposable Income
Deflation looming in USA

USA: National Disposable Income
Billions USD

Real National Disposable Income
National Disposable Income
Macroeconomic aspects of job creation and unemployment
Macroeconomic trends are key to employment

Growth of employment and real GDP in developed countries, 1970-2009
Macroeconomic trends are key to employment

Growth of employment and real GDP in developing countries, 1970-2009

[Chart showing the growth of employment and real GDP in developing countries from 1970 to 2009.]
Neglected role of domestic demand growth for employment creation

- High rates of unemployment are often attributed to rigidities in the labour market but there is no empirical foundation for this proposition.
- Employment creation is closely associated with output growth and fixed capital formation.
- Due to strong global competition and an increasing reliance on external demand, there is a tendency to keep labour costs as low as possible.
- If wages grow at a slower rate than productivity, the supply potential may end up growing faster than domestic demand, thereby discouraging innovation and productive investment.
Declining trend of the share of wages in national income
Share of compensation of employees in national income, selected country groups, 1980 - 2008

Chart 5.1
Share of compensation of employees in national income, selected country groups, 1980 - 2008

- OECD
- Latin America
- Transition economies
- Asia
- Africa
Controlling inflation more effectively through an incomes policy

Annual growth rates of unit labour costs and inflation rates, 1970-2008
Controlling inflation more effectively through an incomes policy

Annual growth rates of unit labour costs and inflation rates, 1970-2008
Experiences with heterodox policies

Real interest rates and real GDP growth rates, selected countries Africa, 1990-2009

Chart 5.2

Real interest rates and real GDP growth rates, selected countries Africa, 1990-2009

Egypt

Mauritius

South Africa

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Real interest rate

Real GDP growth rate
Experiences with heterodox policies

Real interest rates and real GDP growth rates, selected countries Asia, 1990-2009

[Chart showing real interest rates and real GDP growth rates for China, Malaysia, and the Republic of Korea from 1990 to 2009.]
Experiences with heterodox policies

Real interest rates and real GDP growth rates, selected countries Asia, 1990-2009

Chart 5.2

Argentina

C. Latin America

Brazil

Chile

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Real interest rate

Real GDP growth rate


The link between wages and employment 
France and Germany compared

Labour productivity, real wages and unit labour costs, 
1999-2009
The link between wages and employment
France and Germany compared

Private consumption and exports in France and Germany, 1999-2009
Institution building and public sector involvement in creating a wage-employment nexus

- Institution building would facilitate a productivity-led growth of labour income and foster employment creation and poverty reduction.
- Trade unions should not only represent workers' interests but also contribute to growth dynamics and macroeconomic stability.
- Tripartite arrangements and economic policy focusing on directing investment into fixed capital help to achieve a steady increase in domestic demand.
- Productivity-enhancing and income-protection measures in agriculture and the informal sector strengthen the capacity of small-scale entrepreneurs and stimulate domestic demand.
A virtuous circle for employment creation

- Macroeconomic policy
- High investment in fixed capital
- Faster productivity growth
- Wage increases
- Incomes policy
- Expansion of domestic demand
- Better profit expectations

EMPLOYMENT GENERATION
The external dimension

• A strategy of employment generation based on an expansion of domestic demand in line with productivity growth is more likely to succeed with a favourable and coherent international policy framework
• Central banks can pursue an investment-friendly monetary policy when currency misalignment and volatility are minimized
• An appropriate multilateral framework for exchange rate management is needed to prevent large current-account imbalances
• In the absence of effective multilateral arrangements for exchange rate management, capital-account management techniques can improve autonomy in macroeconomic policy-making
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