



Launch Lecture of the UNCTAD Trade and Development Report
2010

Employment, labour markets, and development

Dr Heiner Flassbeck

Director, Division on Globalization and Development Strategies, UNCTAD secretariat

Professor Robert Wade

Respondent, LSE

Professor Stuart Corbridge

Chair, LSE

TRADE AND DEVELOPMENT REPORT, 2010

Employment, Globalization and Development

London

13 September 2010

EMBARGO

The contents of this Report must not be quoted or summarized
in the print, broadcast or electronic media before

14 September 2010 17:00 hours GMT

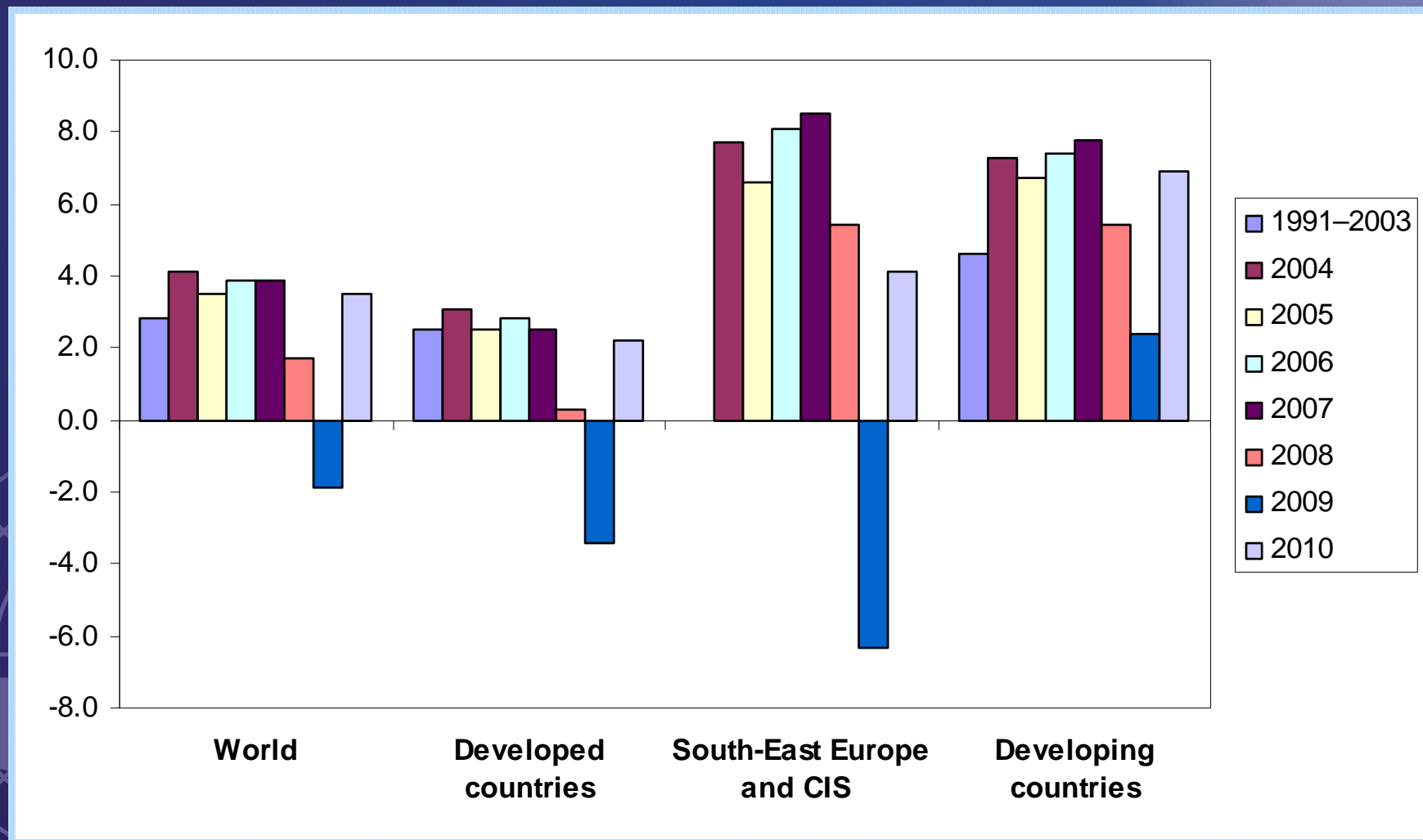
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT 2

After the crisis: an uneven and fragile recovery



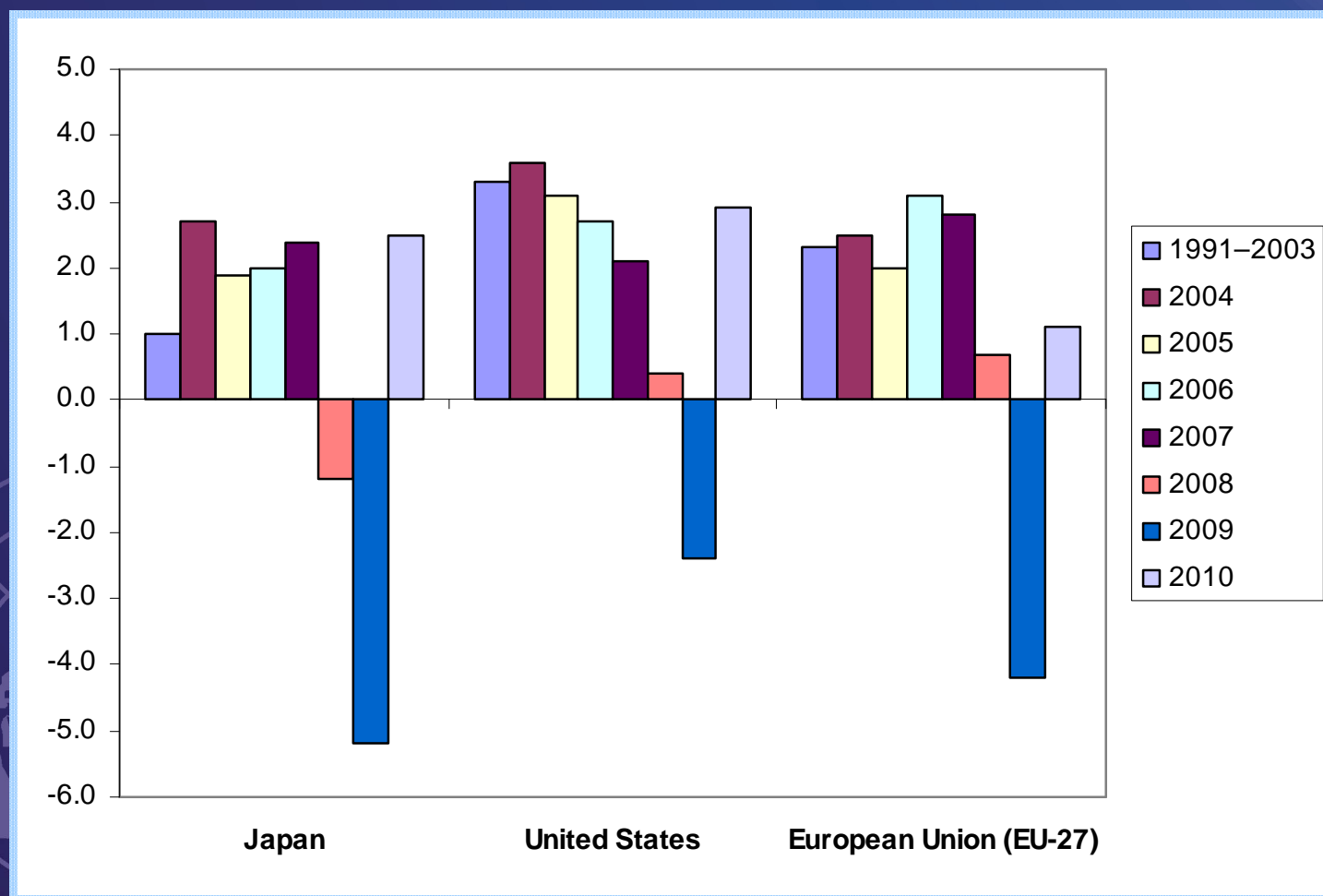
Global economic recovery remains fragile

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)

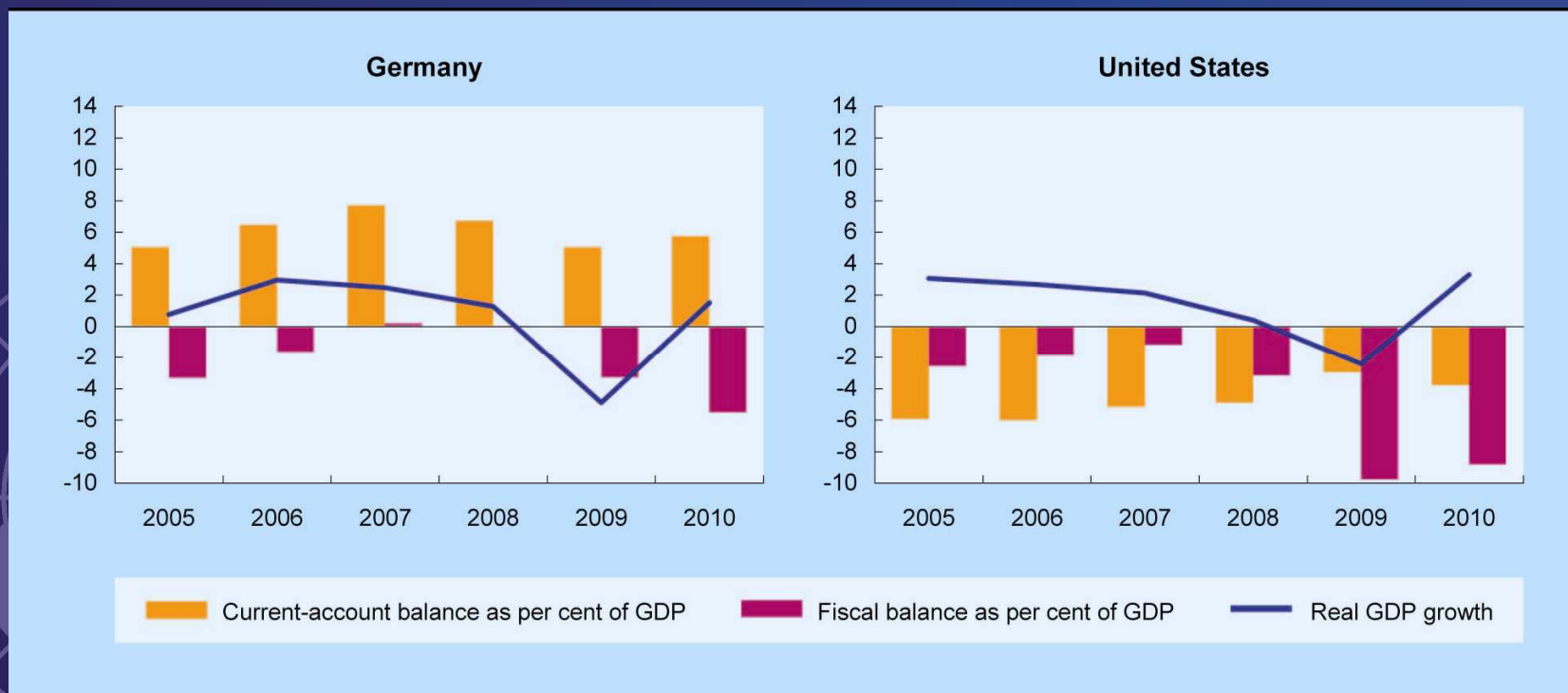


Global recovery and rebalancing: current situation and prospects

- 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 of 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

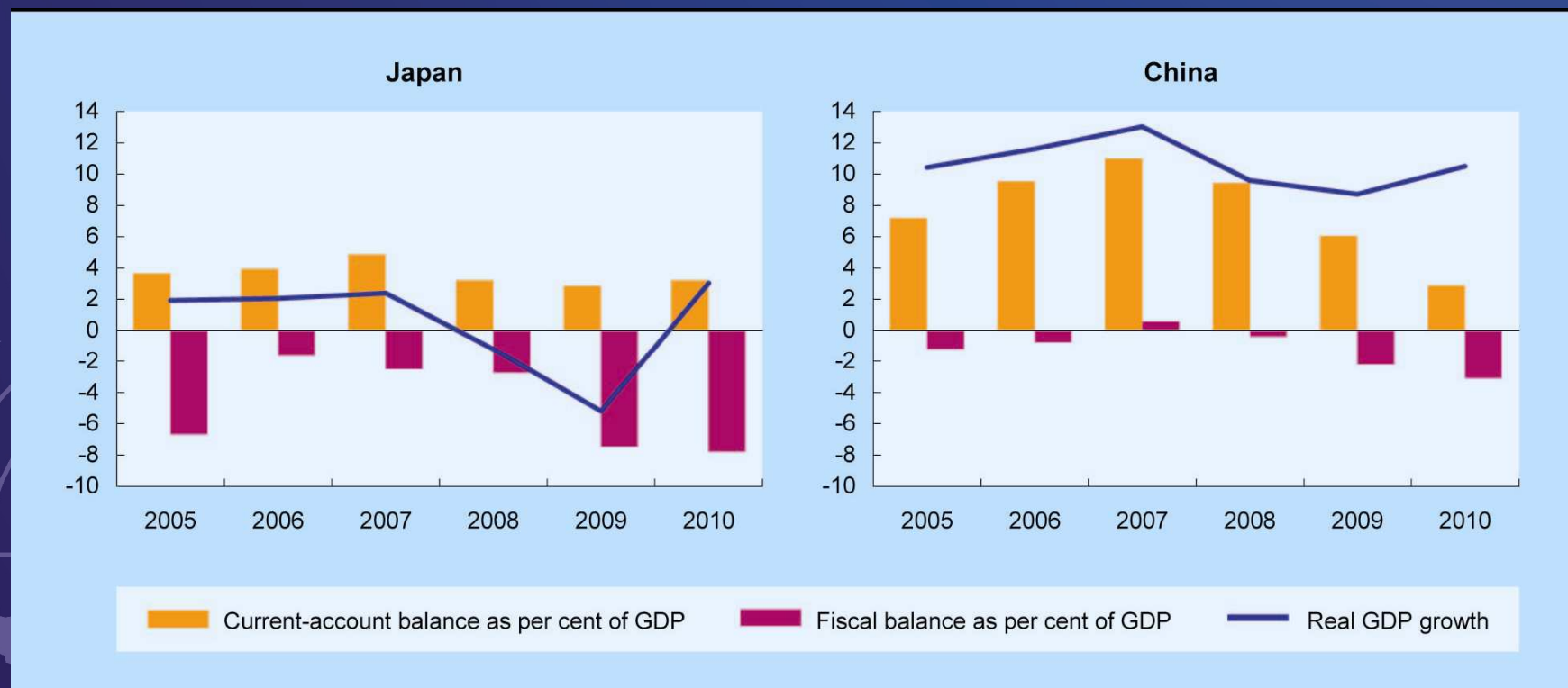
The recovery in developed countries resembles pre-crisis patterns

Current- account balance, fiscal balance and real GDP growth, 2005-2010



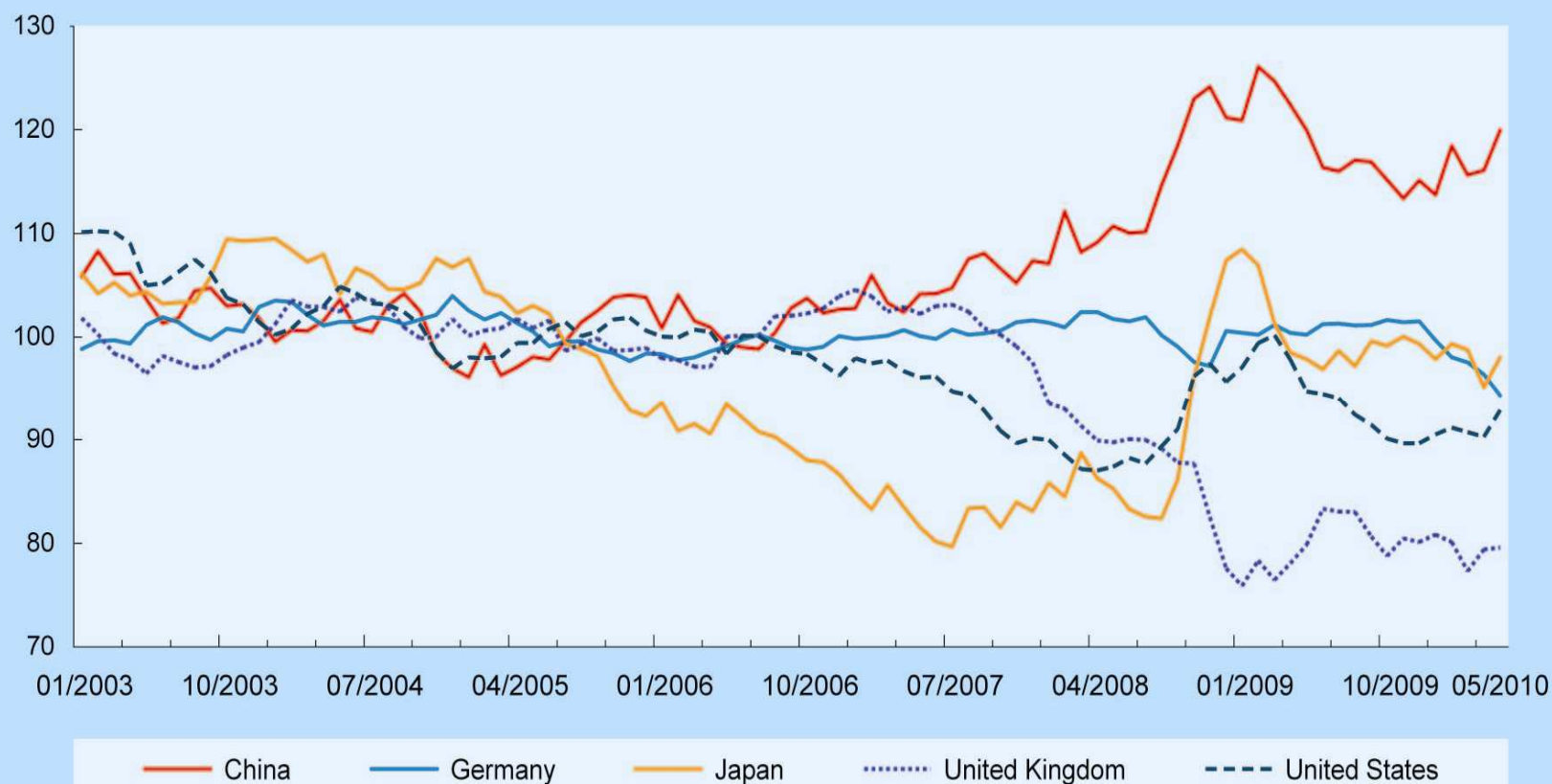
The recovery in developed countries resembles pre-crisis patterns

Current- account balance, fiscal balance and real GDP growth, 2005-2010

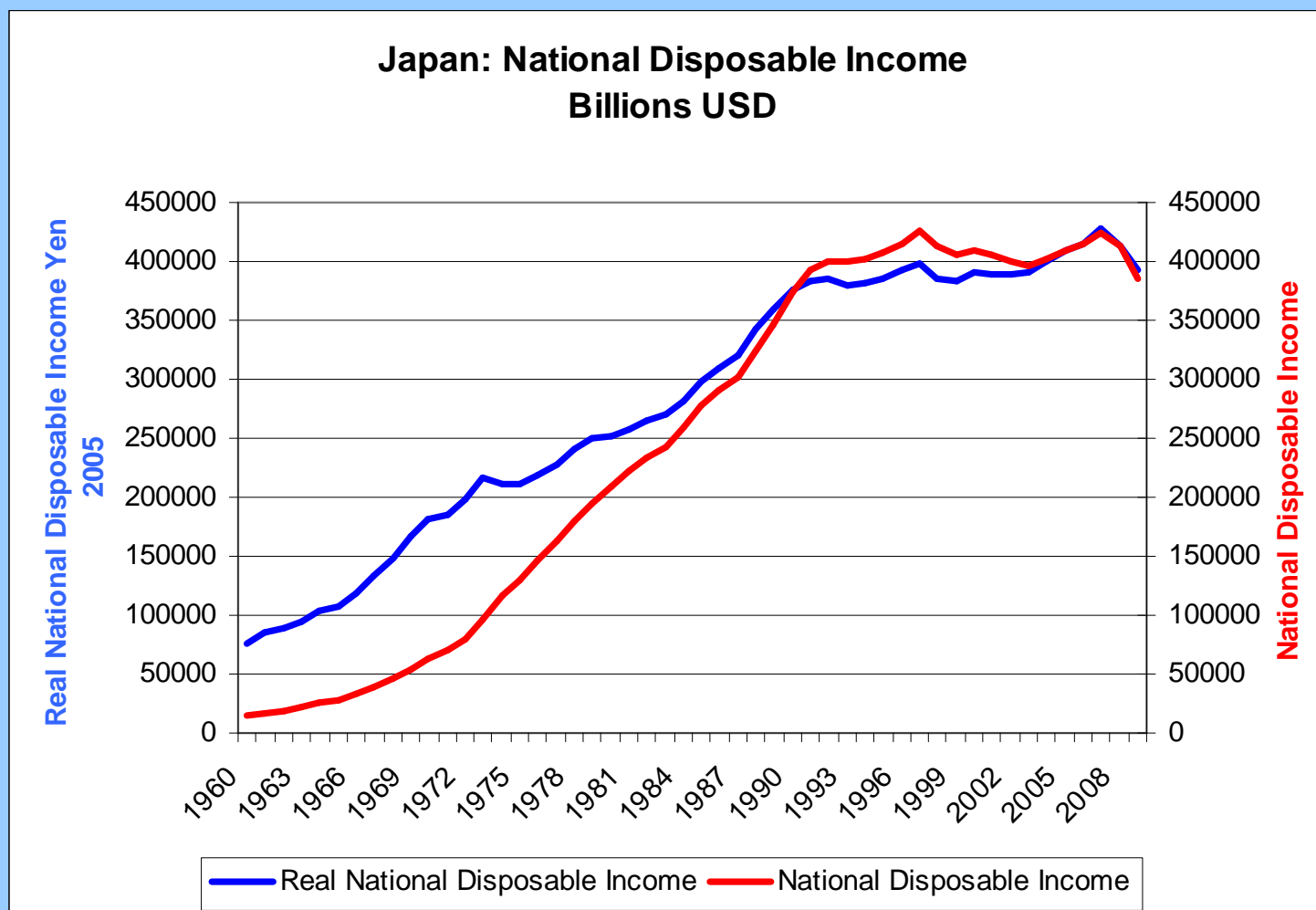


A weakening of global coordination and of the G-20 process

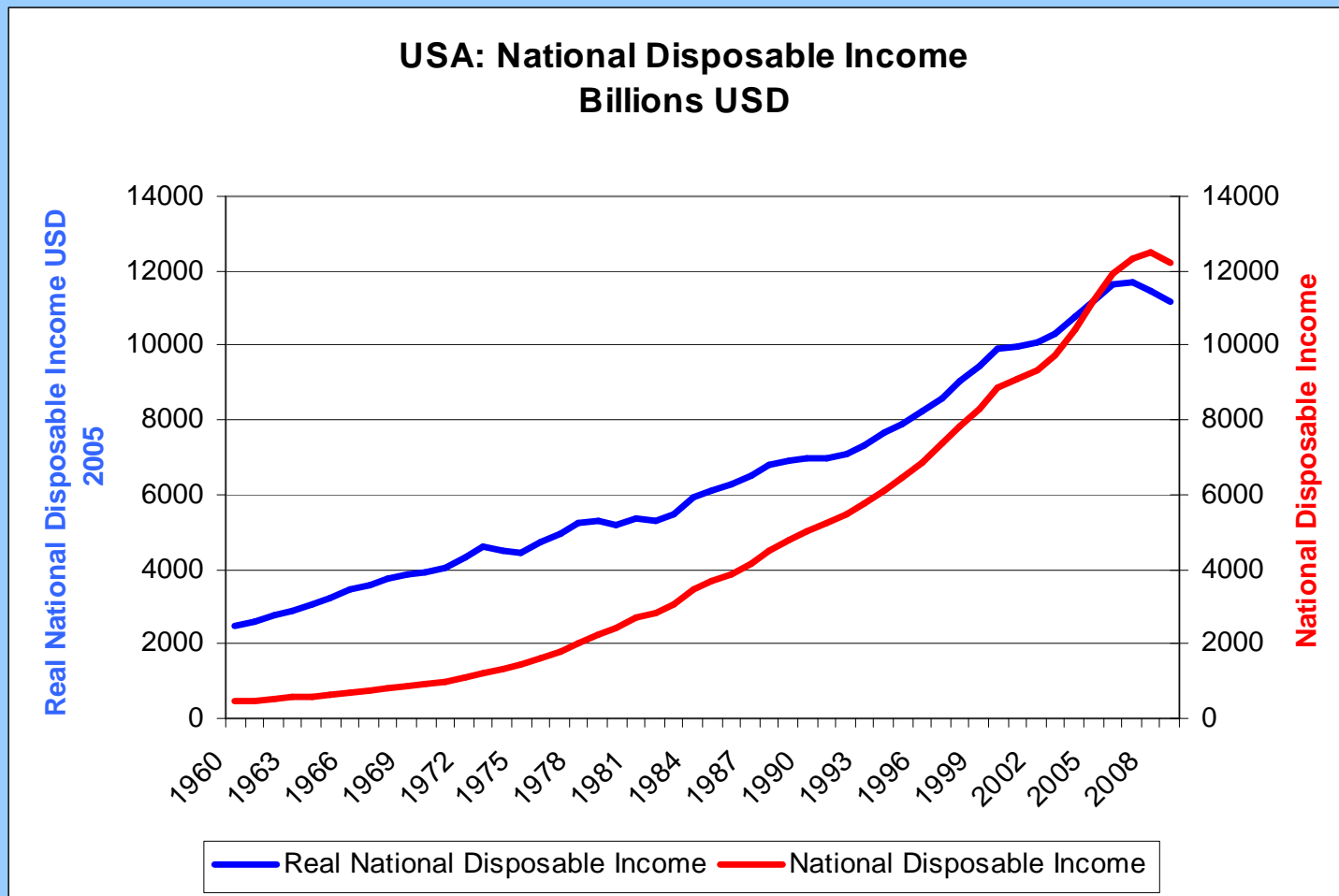
Real effective exchange rate, Jan 2003 - May 2010



Deflation in Japan for the past 20 years



Deflation looming in USA

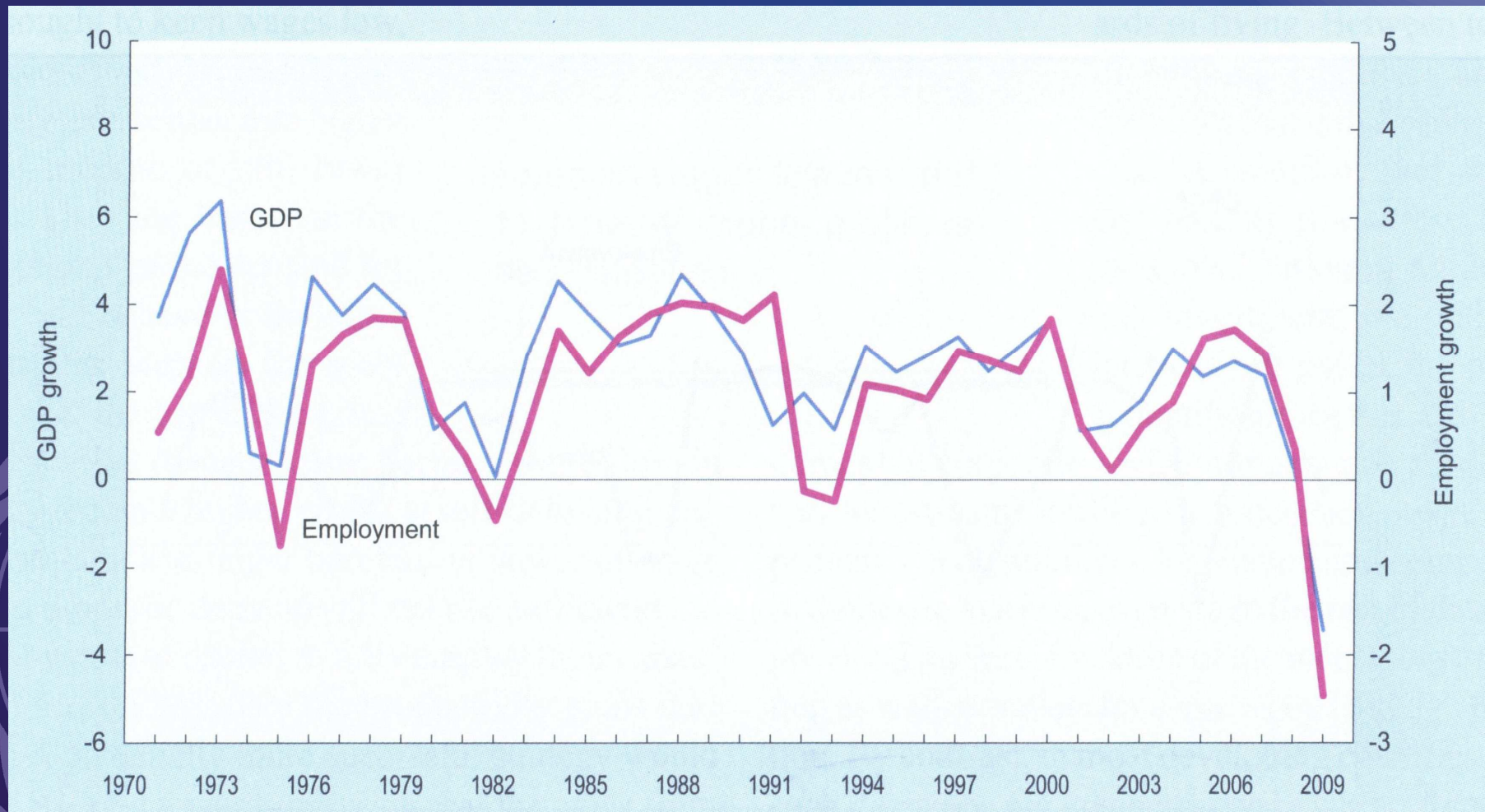


Macroeconomic aspects of job creation and unemployment



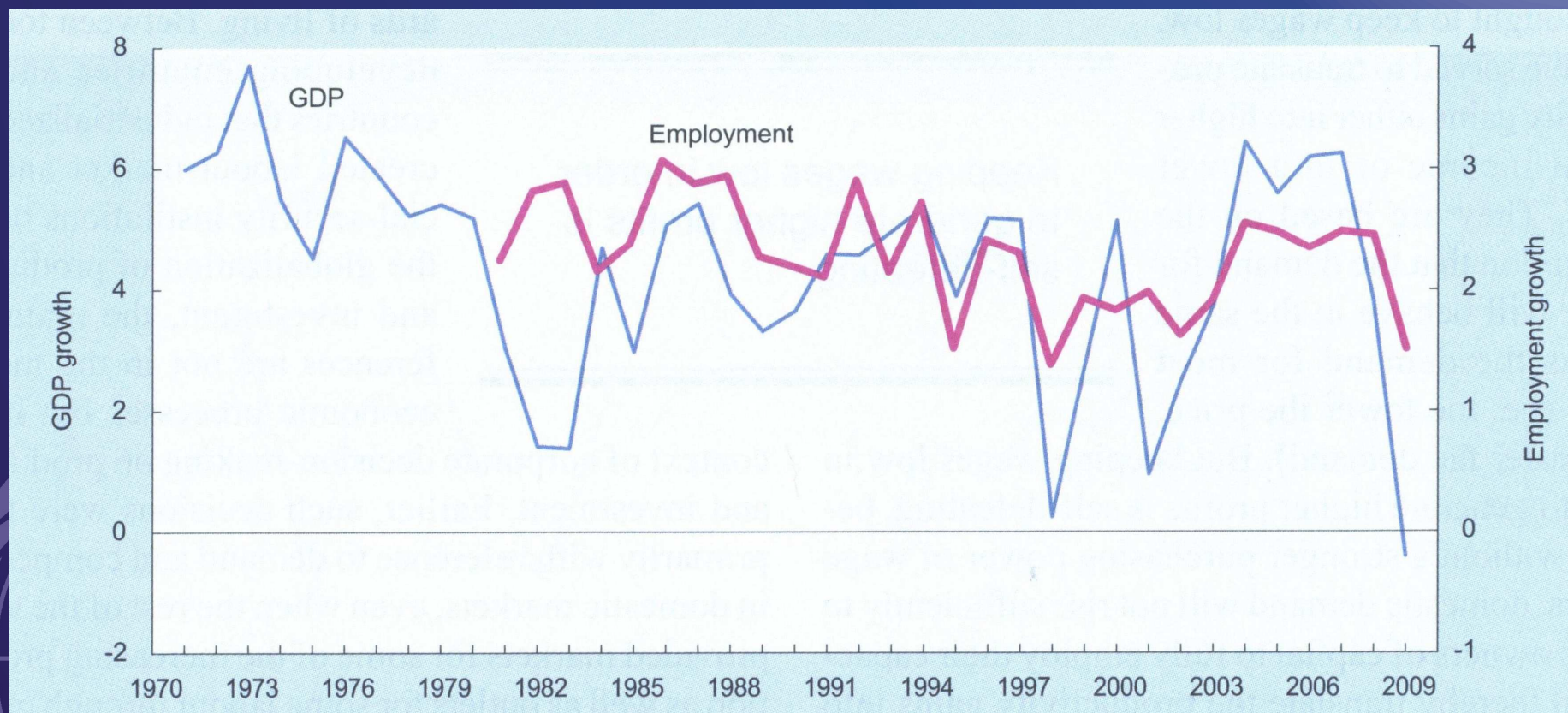
Macroeconomic trends are key to employment

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

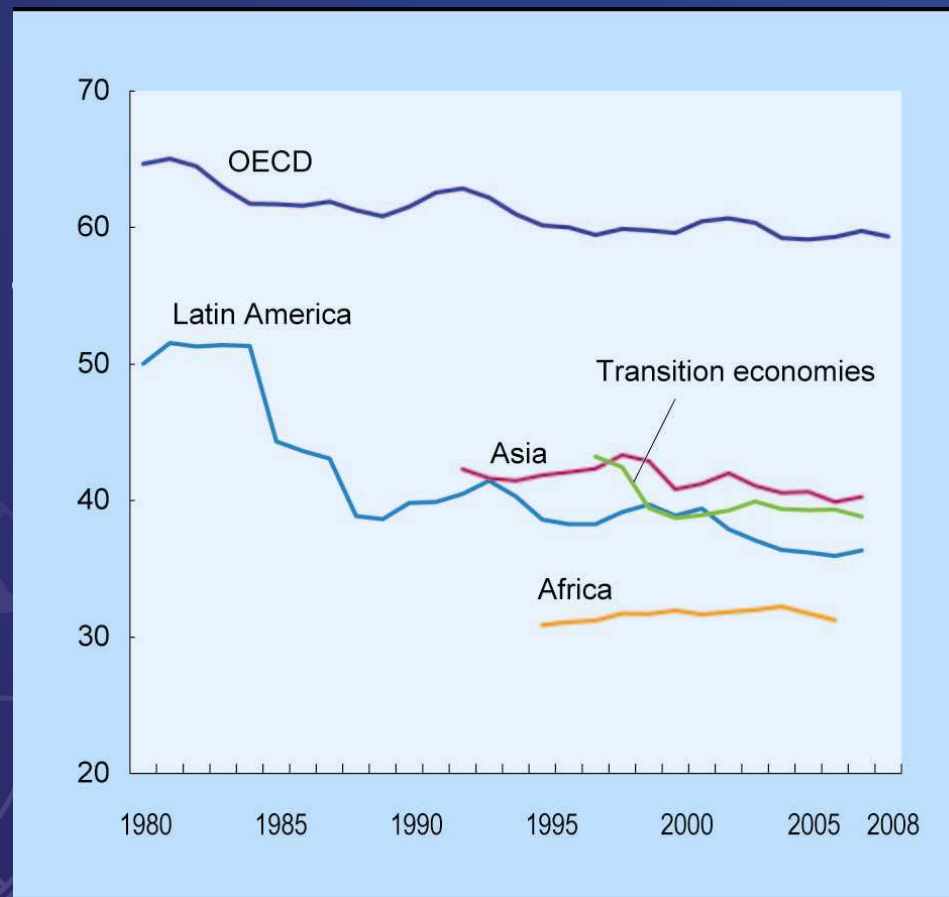


Neglected role of domestic demand growth for employment creation

- 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

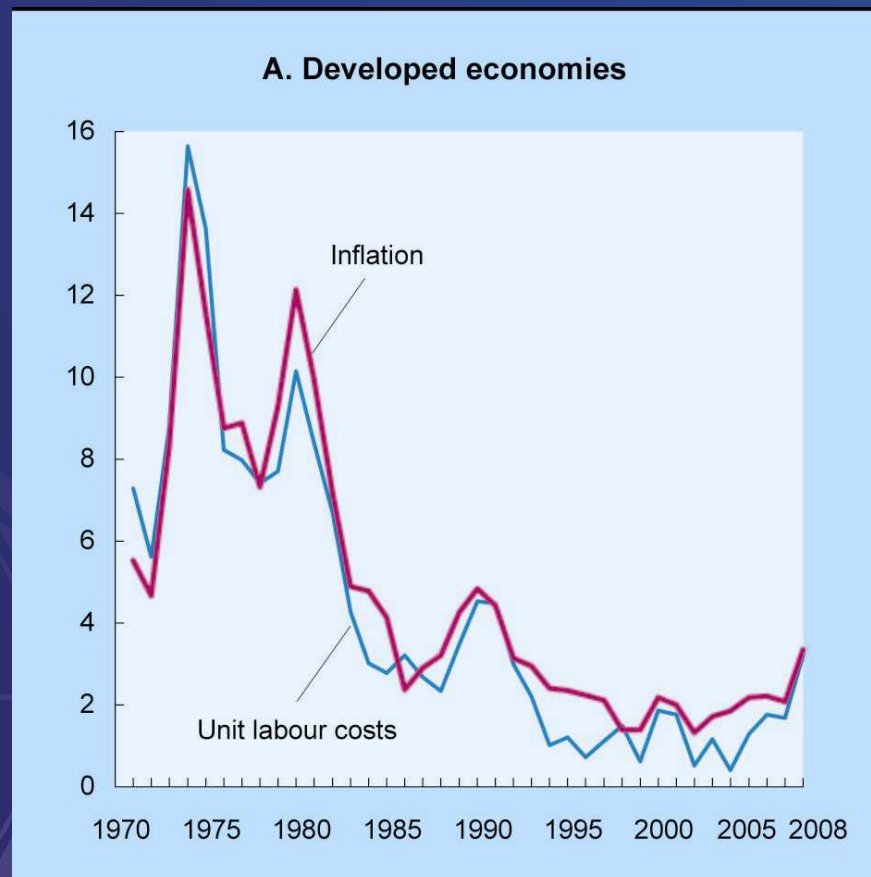
Declining trend of the share of wages in national income

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



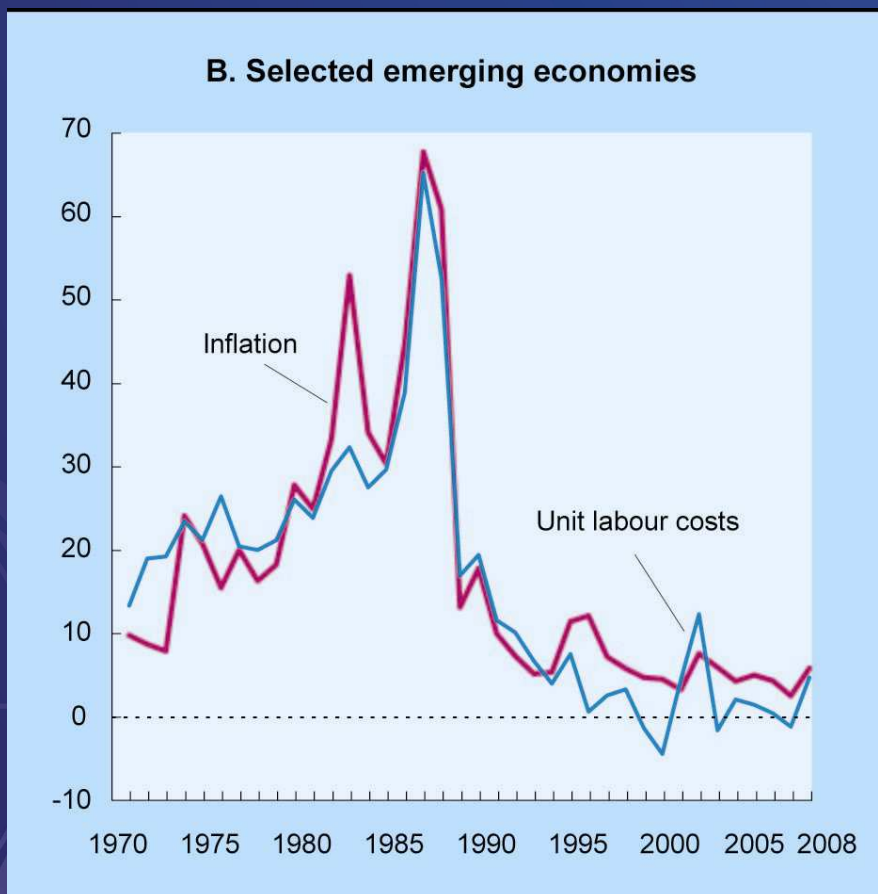
Controlling inflation more effectively through an incomes policy

Annual growth rates of unit labour costs and inflation rates, 1970-2008



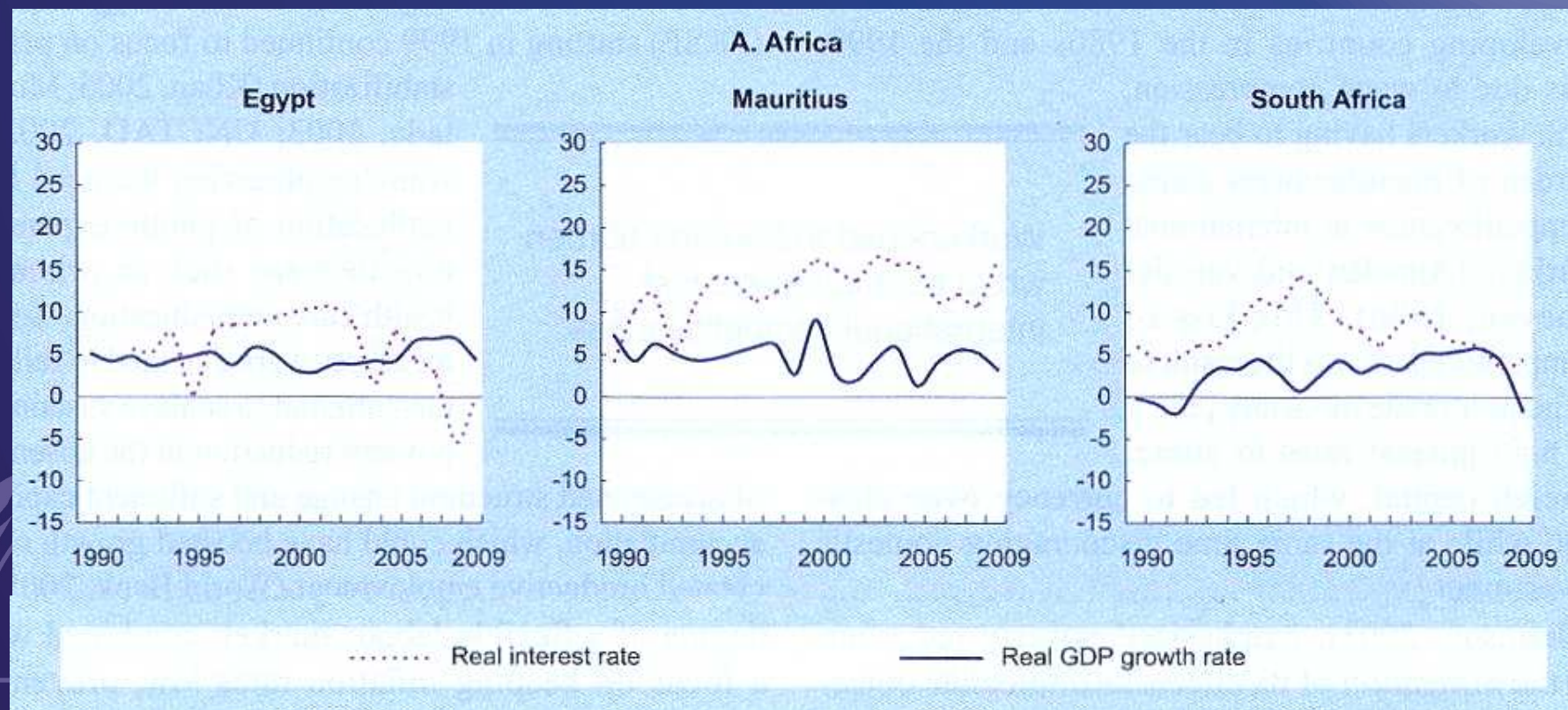
Controlling inflation more effectively through an incomes policy

Annual growth rates of unit labour costs and inflation rates, 1970-2008



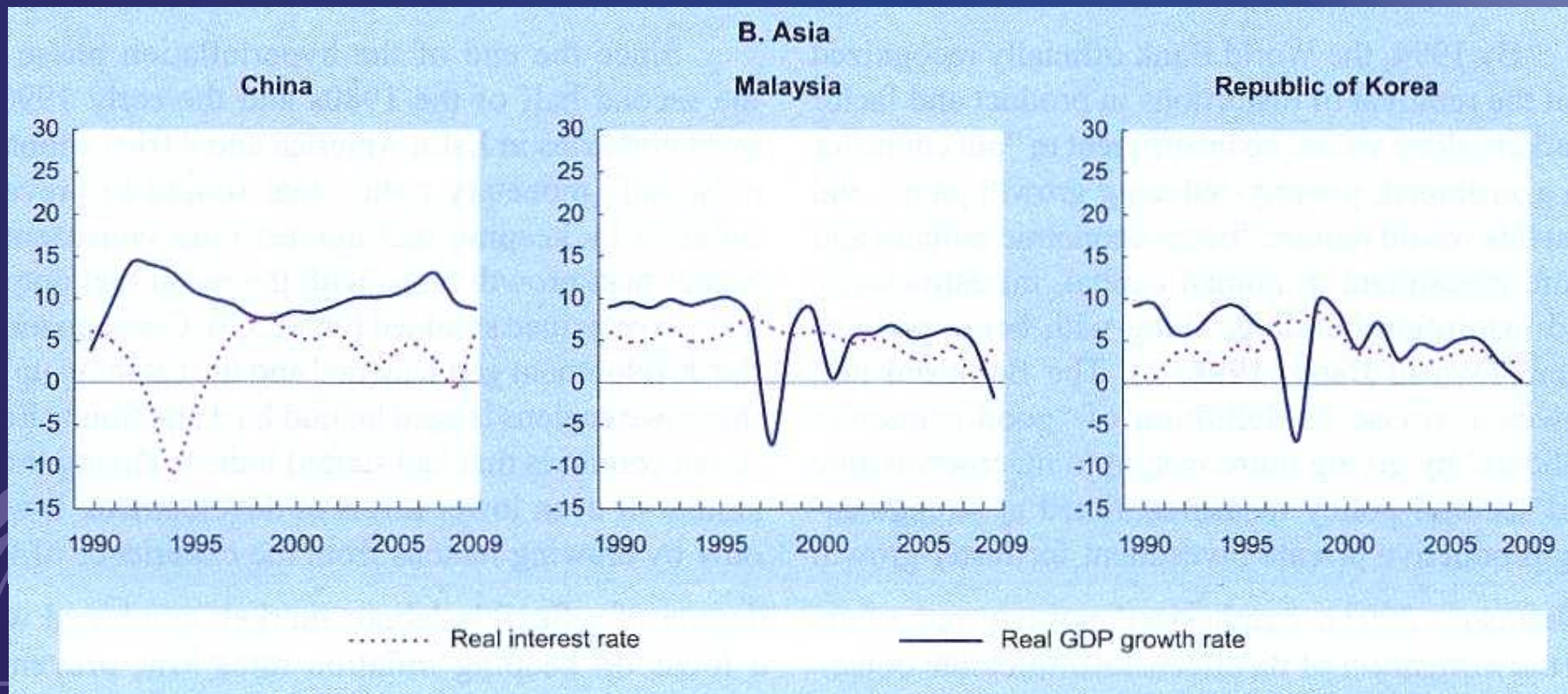
Experiences with heterodox policies

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



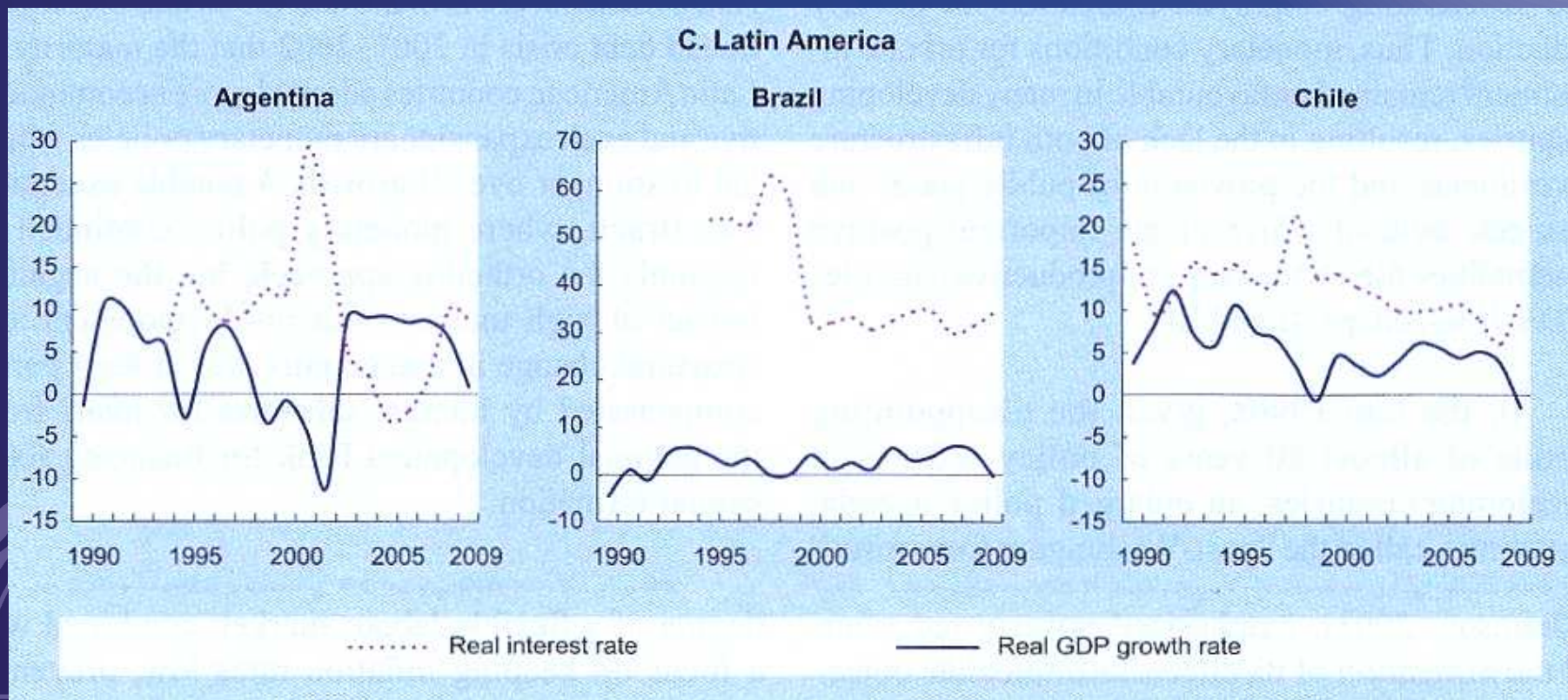
Experiences with heterodox policies

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



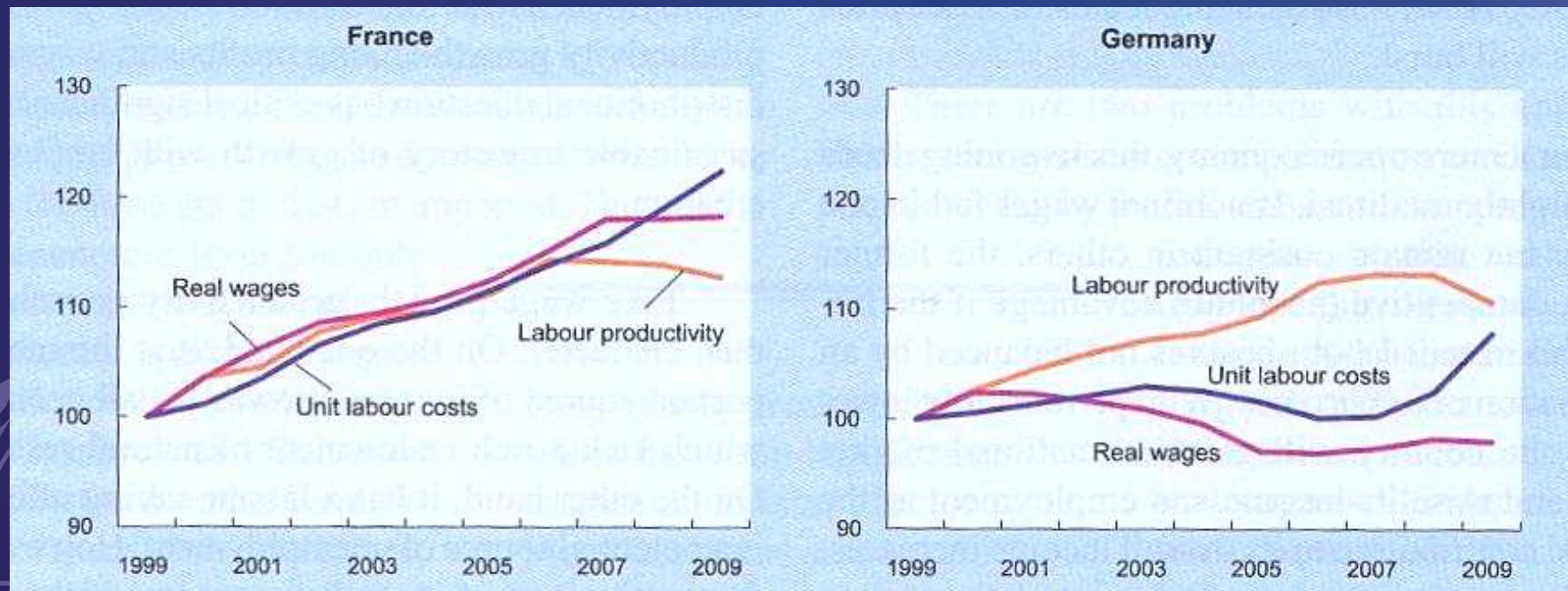
Experiences with heterodox policies

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



The link between wages and employment France and Germany compared

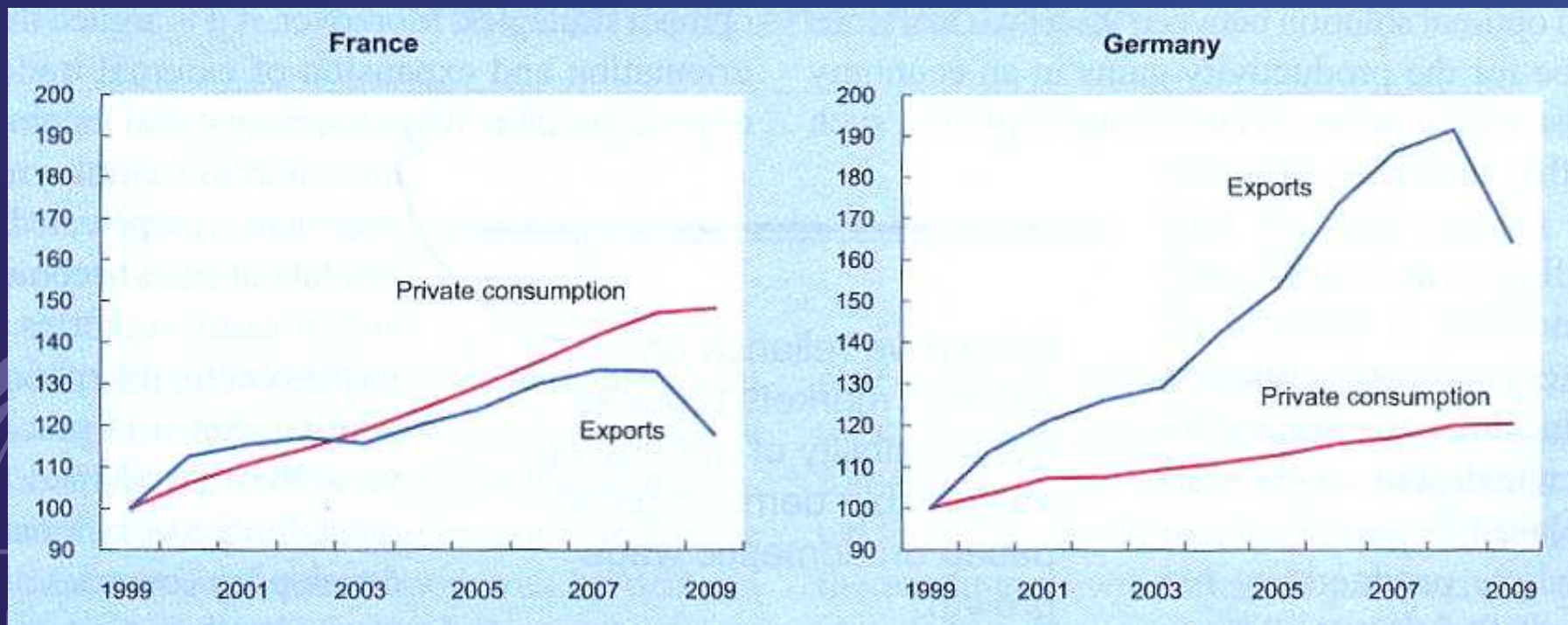
Labour productivity, real wages and unit labour costs,
1999-2009



The link between wages and employment

France and Germany compared

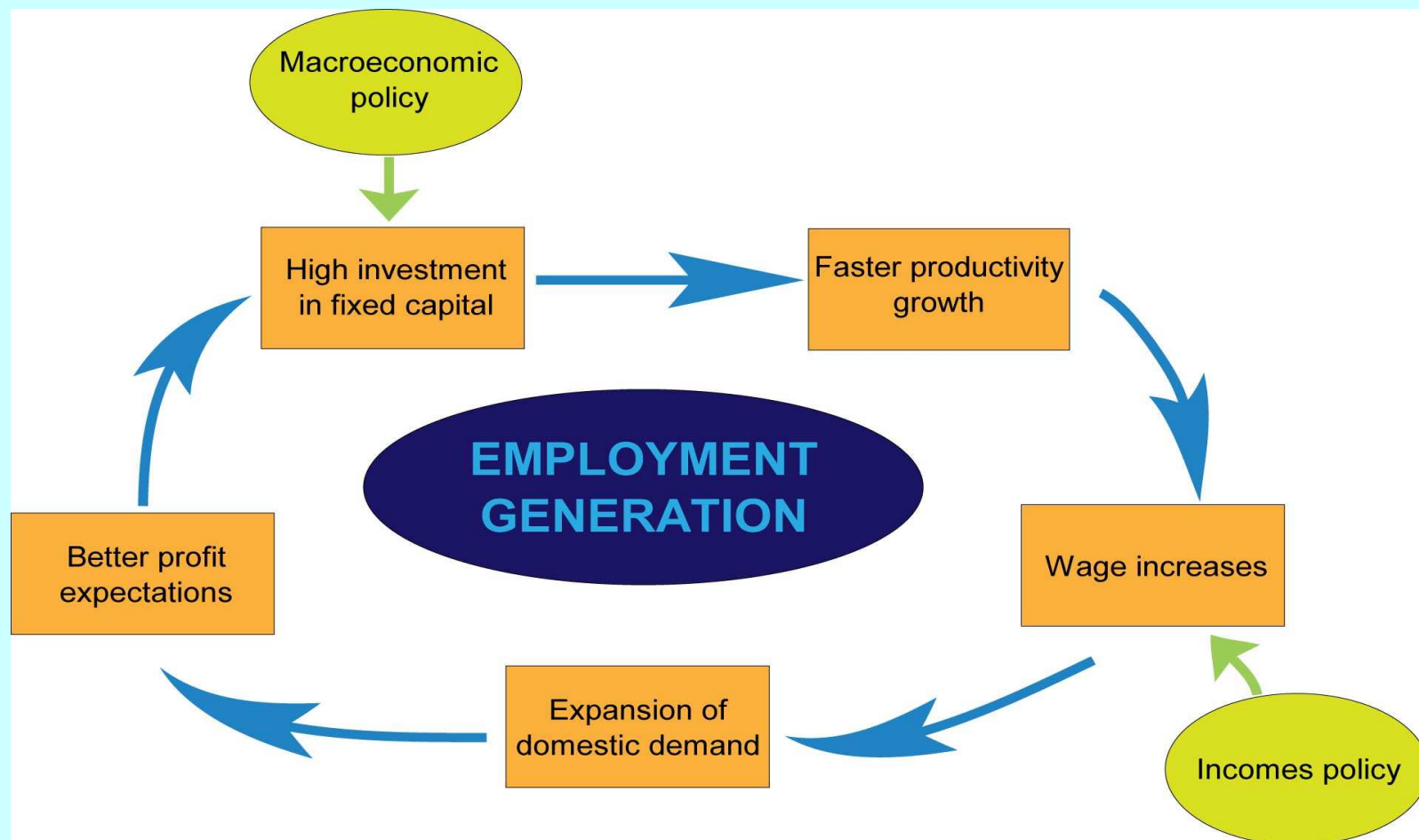
Private consumption and exports in France and Germany,
1999-2009



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



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



Launch Lecture of the UNCTAD Trade and Development Report
2010

Employment, labour markets, and development

Dr Heiner Flassbeck

Director, Division on Globalization and Development Strategies, UNCTAD secretariat

Professor Robert Wade

Respondent, LSE

Professor Stuart Corbridge

Chair, LSE