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Section of Labor and Employment Law



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Joint Study by the ILO and WTO Issued on the Relationship Between Trade and Employment

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On February 20, 2007, the International Labor Office and the World Trade Organization Secretariat issued a new joint study on “Trade and employment: Challenges for policy research”. On the basis of a review of the existing academic literature, both theoretical and empirical, the report is intended to provide a broad and impartial view of what can be said, and with what degree of confidence, about the relationship between trade and employment, an often contentious issue of public debate.

The study points out that trade liberalization is expected to trigger a restructuring of economic activity in many countries, in the form of company closures and job losses in some parts of the economy and start-ups of new firms, investment in increased production, and creation of jobs in other parts of the economy. In the short run the resulting net employment effects on a given country may be either positive or negative, the report indicated, depending on country-specific factors such as the functioning of the labor and product markets. In the long run, however, the efficiency gains caused by trade liberalization are expected to lead in countries as a whole to positive overall employment effects, in terms of increased numbers of jobs, wages earned, or a combination of both.

According to the study, where trade liberalization affects parts of the labor force in a country negatively, national labor and social policies must be adopted to redistribute some of the gains from winners to losers. The study goes on to discuss a number of such policies, and finds that there is so far no agreement around the world on how to design appropriate redistribution policies in a globalized world.

The study’s main conclusion is that trade policies and labor and social policies do interact and that greater policy coherence in the two domains can help to ensure that trade reforms have significantly positive effects on both growth and employment. The study also calls for further research directed at supporting the formulation of more effective and coherent policies, which would clearly benefit the international community.

The study is available on the ILO Web site at <http://www.ilo.org/public/english/support/publ/pdf/ilowtotrade.pdf>

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