**Session 39: Trade and Employment: The WTO Agenda for Social Sustainability**

**Sub-theme IV: What next for the multilateral trading system?**

Moderator

Ms Jenny Holdcroft, Director ICT, Electrical and Electronics, Aerospace department, International Metalworkers’ Federation (IMF)

Speakers

Mr Raymond Torres, Director of the International Institute for Labour Studies, International Labour Office (ILO)

Mr Victor do Prado, Deputy Head of Cabinet, Office of the Director-General, WTO

Mr Yorgos Altintzis, Policy Adviser, International Trade Union Confederation (ITUC)

Organized by

International Trade Union Confederation (ITUC)

Report written by

Yorgos Altintzis, Policy Adviser, ITUC

Wednesday, 21 September 2011 – 14.15-16-15**Abstract**

The goal of this session was to discuss how the WTO and ILO could forge synergies that could foster better trade and employment conditions worldwide. The session discussed the potentially erosive effect of trade opening on employment, development, labour rights and working conditions. Consideration was given to how the impact of trade can be better anticipated before WTO trade liberalization agreements are adopted, how changes can be made to trade-opening proposals, and what measures can be undertaken by governments to prevent trade resulting in unanticipated negative consequences. Taking into account the results of ITUC’s session last year and in light of the discussions at the G20 on coherence, this session placed the focus on the WTO's role in increasing trade's social sustainability.

1. **Questions**

* What are the effects of trade on employment and what are priority areas for research?
* What do people gain from trade? Who are the “losers and winners” of trade?
* What remedies exist for those adversely affected by trade?
* How can trade agreements become more balanced?
* Could the WTO enhance its agenda to promote inclusive and fair trade?
* How could social dialogue be promoted through the cooperation of WTO and ILO?
* Which are the priority themes for enhanced WTO-ILO work?

1. **Presentations by panellists**
2. *Ms Jenny Holdcroft, Director ICT, Electrical and Electronics, Aerospace department, International Metalworkers’ Federation (IMF)*

Ms Holdcroft explained that the present session is a follow-up to last year’s session, which had the same theme. The two workshops aim to explore ways to promote coherence between the work of WTO and other international organizations, especially the ILO, and to promote socially sustainable trade. Ms Holdcroft argued that labour issues could be taken up by the WTO and stressed the need for the ILO and WTO to cooperate to address issues which are on both organizations’ agendas. She presented the main conclusion of the 2007 ILO-WTO joint study *Trade and Employment: Challenges for Policy Research*, which was that trade policies and labour policies do interact and greater policy coherence in the two domains could ensure that trade reforms have positive effects on both growth and employment.

1. *Mr Raymond Torres, Director of the International Institute for Labour Studies, ILO*

Mr Torres argued that, over the last decade, the world has observed a significant increase in the number of countries participating in globalization through multilateral or regional integration. Although increasing interconnectivity and globalization create business opportunities which can potentially reduce poverty, they also increase income inequality. Over the past two decades, the share of labour incomes in terms of GDP has fallen and the share of capital income in terms of GDP has increased in the majority of countries and in most parts of the world. Unskilled workers have been particularly affected as the decline of their income share in GDP was more pronounced. Unskilled workers face difficulties in adapting to organizational and technological change. Mr Torres presented a series of statistics showing that job security is on the rise as temporary employment increased in the EU and informality rose or remained stubbornly high in many developing countries.

Trade liberalization has gone hand-in-hand with foreign direct investment, new technology and financial globalization, and it is difficult to isolate the employment effects of trade liberalization alone. However, research suggests that trade is associated with higher labour turnover. Furthermore, trade between similar countries may have less traumatizing effects with regards to labour turnover than countries engaging in asymmetric trade. Mr Torres also presented evidence that the wage share declined to a larger extent in countries with a trade surplus than in countries with trade deficits. Though no causation should be inferred, this empirical regularity suggests that certain export-led strategies may come with a price for workers.

In his policy recommendations, Mr Torres warned that there is the risk that policy makers remain idle whatever the causal linkages are. He proposed that well-designed tax and social protection policies should be utilized to redistribute gains and support job losers; however, the current reality is that developing countries still have weak social protection systems, while in the developed world, taxation on high incomes has tended to fall. Secondly, the connection between wages and productivity should be better shaped, inter alia through social dialogue and collective bargaining. Thirdly, there should be better coherence between trade and labour/social policies. Mr Torres stressed the need to promote respect for ILO core labour standards. The number of bilateral and regional agreements with labour provisions has increased significantly. It is important to assess the effectiveness of these labour provisions and to draw lessons in terms of how best to ensure that trade policies and ILO labour/social policies can best support each other.

1. *Mr Victor do Prado, Deputy Head of Cabinet, Office of the Director-General, WTO*

Mr do Prado argued that in the WTO’s legal framework, there is no contradiction between trade and employment. For example, there are WTO Agreements which make explicit references to ensuring full employment and to wages and salaries. He argued that trade increases the pie, but does not necessarily distribute it; the latter is an issue of internal policies. Mr do Prado also explained the effect of trade on employment: per capita income increases more quickly in countries open to trade and, even if some jobs are destroyed, open countries experience significant employment gains in the long run. Evidence shows that productivity also increases quicker in countries which open their markets to foreign competition. However, nothing is “black or white”; and opening to trade increases vulnerability to external shocks.

Mr do Prado said that most of the trade openings in the past 16 years took place through regional and bilateral free trade agreements rather than through the WTO. He suggested a series of policy recommendations for national governments and international organizations vis-à-vis trade and employment. Governments need to promote policy coherence within and across borders in order to provide an environment in which both jobs and trade flourish. This comprises solid institutions, including labour institutions, social policies, rule of law, infrastructure and education. International organizations can focus on conducting further research on trade and employment and on mobilizing resources for the necessary adjustment processes.

Mr do Prado also shared the results of the three joint works of ILO and WTO: a 2007 study on trade and employment, a 2009 study on trade and informal employment and a 2011 study on making globalization socially sustainable.

1. *Yorgos Altintzis, Policy Adviser, ITUC*

Mr Altintzis presented the ITUC’s Trade, Investment and Employment Modelling initiative. He argued that the current orthodox economic models that are used to show the benefits of trade liberalization are generally based on a range of assumptions that are unable to model the impacts on sectoral employment, production structures, the quality of jobs and other aspects of employment. The aim of the initiative is to find possible elements of a successful model that could look into these aspects. The outcomes of the initiative would allow the union movement to structure recommendations for reshaping trade in order to make it work for workers, poor people and developing countries.

Mr Altintzis offered a series of ideas for the WTO and the ILO on the inclusion of employment issues in trade affairs. First, he suggested that the missing link between employment and trade is industrial policy and policies of structural transformation. It would be helpful if the WTO and ILO worked together in delivering technical assistance and funds to developing countries to develop their comparative and competitive advantages.

Secondly, Mr Altintzis proposed that the Trade Policy Review Mechanism (TPRM) start reviewing labour standards application. The TPRM could provide technical assistance to governments aiming at improving the monitoring and application of core labour standards with a requirement of demonstrating “improved performance” from one TPR to another. To this end, the ITUC prepares reports on core labour standards violations every time a TPR starts. At the first Ministerial Conference of the WTO in Singapore, the Ministers stated: “We renew our commitment to the observance of internationally recognized core labour standards.” The fourth Ministerial Conference in Doha reaffirmed this commitment. Moreover, the ILO Committee of Experts on Application of Conventions and Recommendations (CEACR) has the capacity to provide all this information and assistance in the TPRM and it should be invited to take part.

Thirdly, he proposed that the impact of trade on employment, decent work, and productivity should be researched more. The ILO Director-General Juan Somavia said at a conference in Oslo in September 2008 that the ILO could undertake analysis of all the areas of the DDA with a view to considering the decent work impact in all these areas; however, this was never implemented. Finally, in order to enhance coherence between decisions taken in different institutions by different branches of national governments, a meeting of trade ministers with labour ministers could be organized.

1. **Questions**

* Surinamese National Assembly representative: Mexico is considered a model for growth but this growth has also led to extreme pollution in Mexico City. Does the environment lose out when trade increases?
* Panamanian parliamentarian: Increasing trade leads to informality and dependency. Employers want wages to be pegged to productivity, while employees want wages to increase for other reasons.
* David Gomez, graduate student: Unskilled workers are among the most vulnerable; how can the WTO and ILO affect developed countries’ efforts to close borders to Mode 4 given the issue of sovereignty?
* Belgian parliamentarian: The panel concluded that delocalization would be assisted by social protection. Belgium created social protection measures, but is being asked to eliminate these same measures in order to enhance labour market flexibility.
* Participant from Kenya: More often than not jobs are created in the formal sector with higher wages. Does informal employment grow at the same pace as formal employment?
* Zdenek Malek, EESC: The financial markets offer more profits for business than the real economy. The WTO is an institution addressing trade and, hence, real economy. Is the WTO willing to do anything about the financial markets?

1. **Answers and conclusive comments**

Mr do Prado said that knowledge of the winners and losers of trade is limited. The WTO has a mandate to open trade, but it also seeks coherence with other agendas. On productivity, he argued that multiple models are possible and that an answer would be country- and sector-specific. On social protection, he said that balance between labour market flexibility and social protection is needed. Evidence shows that countries with stronger social protection policy have suffered less from the economic crisis. On the financial markets’ role, Mr do Prado said that it is a question of global governance. He suggested the WTO could play a role in a stronger, more coherent global governance, but judging from the current status of the DDA negotiations, it did not seem likely that governments would agree to increase the authority of the WTO or other international organizations in the short term.

For Mr Torres, the co-existence of high economic growth with environmental degradation and growing social inequalities highlights the need for more relevant measures of progress. On the issue of skills, he pointed out that some countries have considerable unemployment or under-employment (informal, low-skilled jobs) among graduated youth. Policies to improve skills should go hand-in-hand with policies to unlock the job quality potential. On Mode 4, he added that the free movement of migrants has so far been the weakest component of the globalization process. Because of the crisis, societal opinion in some countries has gone against migrants, but their rights should be protected. On social protection, he stressed that, besides its benefits to society and social cohesion, it can help the economy by acting as a stabilizer in times of crisis. The question is how to make social protection more effective. On financial markets, he said that world leaders had promised regulation back in 2009 but the expected regulations have by and large not materialized. Now developing countries suffer from capital volatility. Although developed countries have provided massive support to financial institutions, financial turmoil has resurfaced. The result is worsening prospects for the economy and jobs.