



**United Nations Conference
on Trade and Development**

Distr.: Limited
24 September 2010

Original: English

Trade and Development Board

Fifty-seventh session

Geneva, 15–28 September 2010

Item 6 of the provisional agenda

**Development strategies in a globalized world:
Globalization, employment and development**

**Draft report of the Trade and Development Board on its
fifty-seventh session**

Held at the Palais des Nations, Geneva, from 15 to 28 September 2010

Contents

	<i>Page</i>
II. President's summary	2
Development strategies in a globalized world: Globalization, employment and development.....	2

II. President's summary

Development strategies in a globalized world: Globalization, employment and development

1. The substantive discussion of the Trade and Development Board on this item was based on the *Trade and Development Report, 2010: Employment, Globalization and Development*. The Report was introduced by Mr. Heiner Flassbeck, Director of UNCTAD's Division on Globalization and Development Strategies. Mr. Stephen Pursey, Head of the International Labour Organization's Policy Integration Department, provided comments. Delegations widely agreed with the panellists that employment creation was a key challenge that all countries, developed and developing alike, were facing in the context of a fragile recovery from the financial and economic crisis.

2. The crisis had significant adverse effects on employment; it had not only dramatically increased the number of unemployed people, but also aggravated underlying problems in the labour markets with a high human cost. These structural problems included increasing inequalities, widening wage gaps and declining wage shares in national income. Improving the quality of employment and addressing persistently large informal sectors were also considered critical. Addressing these labour market problems was especially important for developing countries, particularly the poorest ones. The employment effects of the crisis had hampered poverty alleviation and made the attainment of the Millennium Development Goals and of sustainable development even more difficult. Beyond economic issues, the creation of sufficient jobs, as well as of a social security system that cushioned the adverse impact of unemployment, was essential also for social cohesion.

3. It was broadly acknowledged that the economic stimulus measures that many governments had adopted, both in developed and developing countries, had avoided a collapse of global economic growth. Nevertheless, there were still many risks threatening the recovery, particularly persistent global imbalances. Several delegations underlined that both surplus and deficit countries should share their responsibility in unwinding global imbalances. Panellists and delegations alike agreed that the right timing of the exit from fiscal stimulus measures was crucial. Government stimulus could be withdrawn once the deleveraging of private sector balance sheets was completed and the private sector started to incur debt again. In debating the appropriateness of fiscal consolidation efforts, there was wide agreement that some countries had more fiscal space than others. Those countries with larger external constraints would find it difficult to avoid reducing fiscal deficits. On the other hand, for countries running current-account surpluses, it was more feasible to increase fiscal deficits and public debt.

4. There was broad consensus on the need for a new approach to tackle the development and employment challenges. Employment creation needed to be a cornerstone of policies designed to get out of the crisis. Several delegations stressed that the State should take a more active part. Macroeconomic policies supporting investment for the development of productive capacities in developing countries played an important role in that context. The policies followed under the Washington Consensus had led to disappointing results in terms of employment creation. Moreover, it was not possible that all countries in the world relied on export-led growth. Rather, greater attention needed to be put on domestic demand growth, supported by increases in mass purchasing power commensurate to an economy's average growth in labour productivity.

5. The new approach to achieving sustained long-term growth would require income policies that aligned wage increases with productivity growth. The institutional setup for establishing the right conditions for employment creation would include strengthened collective bargaining processes, minimum wages and public employment schemes. Moreover, it was underlined that policy measures designed to support employment creation had mainly focused on the modern sector, which often was integrated in the global economy and recorded high productivity growth but might create relatively little employment. Such measures needed to be designed in such a way that wages were also increasing at similar rates in the more traditional sectors, where productivity growth was often slow but where much of formal and informal employment was concentrated. Only this combination would provide the boost to mass purchasing power required to boost domestic demand. In this context, some delegations pointed to mechanisms that linked agricultural producer prices to the overall productivity growth in the economy.

6. While there was agreement that policy measures designed to strengthen domestic demand would be important, this should not give rise to disintegration or even to protectionism. Indeed, maintaining an open world economy was key to attaining sustainable globalization and rising prosperity for all. Trade integration as such was not in question. Rather, the problem was the kind of integration that was giving rise to unsustainable current-account surpluses or deficits. It was widely recognized that there was a need for a more balanced mix of exports and domestic demand for a successful global economic recovery. Some delegations expressed concerns that an increase in wages in line with productivity growth could undermine a country's external competitiveness. But it was also mentioned that this was not the case, as such wage increases did not affect the level of unit labour costs.

7. Given the key role of productivity growth for economic development, output growth and employment creation, there was some discussion as to how productivity growth could be spread more equally across developed and developing countries. While education played an important role, as well as life-long-learning and a greater practical importance of curricula, there needed to be an appropriate balance between the protection of intellectual property rights and the transfer of technology which is achieved through the imitation of existing technology.

8. It was highlighted that, in a highly interdependent world, a successful way out of employment and development problems would also need stronger coordination at the international level. Measures to increase domestic demand at the national level had to be complemented with a multilateral system of exchange rate management, as well as with increases in official development assistance for poor countries with large external deficit problems.

9. Several delegations commended the UNCTAD secretariat for the high quality and relevance of the analysis and policy recommendations of the *Trade and Development Report, 2010*. The Report helped deepen the understanding of the relationship between employment and macroeconomic policies. Its focus on the importance of providing opportunities for the poor to find productive employment that assured them decent incomes was regarded as highly pertinent and useful in the current crisis context. This had also been reflected in the interest shown in the topic of employment by other international organizations, as well as governments and trade unions.