

-- Panel Policy --

Policy Responses and Labor Market
Adjustments in Latin America and
the Caribbean

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Globalization and labor markets

- A lot of trade-related issues going on, from income inequality to job creation to working conditions, to poverty and so on, as presented in this Conference
- From the mid 1990s to mid 2000s thousands of pages published on “Trade and Labor Markets”, many of them on LAC

Are there new issues to be addressed?

Yes, because a lot has changed over
the last years

- China and other emerging economies
- Financial crisis
- More volatile world, more uncertainty
- Intra-industry trade

China

- Growth rate of many LAC countries highly correlated to China's growth rate
- South-South relationship that resembles the very typical North-South relationship
 - Commodity-based exports – Dutch disease
 - Manufacturing imports
- Main trade partner: Brazil, Argentina, Ecuador, etc
- Main trade competitor: Mexico, El Salvador etc
- Active exchange rate policy

Financial crisis

- Fiscal and monetary policies in developed countries: exchange rate, commodity prices
- Stagnation in developed countries
- Subsidies e.g. agriculture, ethanol
- Immigration and remittances
- Protectionism and trade preferences
- Doha stalled

All this may help explain some recent empirical evidence

- HO-SS was contested in the past, but now has gained more support
- Jobs created mostly in the service sector, not in tradable and commodity sectors
 - Informality, job quality, low productivity
 - Mining and agriculture → becoming capital intensive
- Wage premium in commodity sector (copper, oil, gas) e.g. Chile, Brazil, Bolivia
- Exchange rate and non-tariff barriers become more important than tariffs to explain trade flows
- Bi-lateral trade agreements

Are we addressing the new issues?

- Need to address questions that take into account the current environment and look beyond
- Impacts of all this on:
 - Job creation by sector
 - Labor demand
 - Wage formation and distribution
 - Quality of jobs
 - Poverty

Some tentative policy responses

- Fiscal policy -- to promote diversification of exports (ex. rents in commodity sectors) and to mitigate growth volatility
- Promote diversification of export destinations
- Promote productivity gains in the service and informal sectors
- Human capital, infrastructure, innovation, pro-business reforms, entrepreneurship
- Social policy -- safety nets and anti-cyclical labor market policies
- Fight protectionism and anti-immigration policies
- Doha