

Do global value chains create jobs?

Impacts of GVCs depend on lead firms, specialization, skills, and institutions

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ELEVATOR PITCH

Global value chains (GVCs) describe the cross-national activities and inputs required to bring a product or service to the market. While they can boost exports and productivity, the resulting labor market impacts vary significantly across developing countries. Some experience large-scale manufacturing employment, while others see a shift in demand for labor from manufacturing to services, and from lower to higher skills. Several factors shape the way in which a country's labor market will be impacted by GVC integration, including the type of sector, lead firms' strategies, domestic skills base, and the institutional environment.

KEY FINDINGS

Pros

- ⊕ The employment effects of GVC integration are mixed in developing countries, with both winners and losers emerging in the process.
- ⊕ Labor market impacts go well beyond jobs and include changes in relative payoffs to skills, levels of inclusion, and skills development (upgrading) potential.
- ⊕ Some of the key determinants of labor market outcomes in GVCs are not within the control of domestic policy.
- ⊕ Women take a large share of jobs in labor-intensive chains, but lose out from upgrading.

Cons

- ⊖ In most high-income countries, higher-skilled workers gain in terms of rising wages, but lower-skilled workers experience greater job losses.
- ⊖ Countries with large labor surpluses and low wages have seen strong jobs growth following GVC integration.
- ⊖ Patterns across countries show that as sectors and countries upgrade, wages rise but net employment falls, and more skilled workers gain most.
- ⊖ Raising labor standards in GVCs appears to be a win-win proposition overall, with workers benefiting from improved conditions and firms experiencing productivity gains.

AUTHOR'S MAIN MESSAGE

GVC integration may be a catalyst for job creation, but its employment effects are complex and difficult to control domestically. Large-scale job creation in GVCs may require sustained low wages, and labor and skills upgrading may worsen both inequalities and outcomes for low-skilled and female workers. Policy should focus more on the productivity gains associated with GVC integration rather than its role as a source of job creation. Policies to support supply-chain deepening and exploit technology spillovers, with a strong focus on skills development, will support an adaptable labor force positioned to maximize the dynamic potential from GVCs.

