

The Employment Effects of Manufacturing: a GVC Approach

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Nowadays, exporting manufacturing goods is easier than before, but also less meaningful. By joining global value chains, developing countries can quickly access global markets and increase their exports. But the employment effects of export activities might be much more limited as countries carry out only a limited set of tasks, heavily relying on imports of intermediates instead. Moreover, global value chains provide an additional channel for productivity growth as countries can access frontier technology and learn from international cooperation. This productivity growth only translates into jobs if the export expansion is indeed large enough to compensate for the labor-saving technological change. It is thus sometimes argued that exporting is only beneficial for relatively highly-skilled workers. In this paper, we contribute to this debate by developing a new measure of the employment effects of exports. Instead of generic industries, we conceptualize production activities along value chains. We define domestic value chains by the last domestic production stage (the exporting industry) and trace the value-added and employment contributions of all direct and indirect contributors. Hence, in contrast to existing measures, we account not only for direct employment effects (in exporting firms), but also for indirect employment effects (in intermediate suppliers). We similarly capture the value-added contributions, which allows us to develop a measure of labor productivity (value added per worker) at the level of domestic value chains. To calculate these measures, we build a new dataset by combining information of national input-output tables with new information on detailed sectoral employment for a large set of developing countries. We cover about 60 developed and developing countries with 14 manufacturing industries and 5 broad sectors between 1970 and 2008. This allows us to trace out the long run trends of export-led employment generation and productivity growth at the level of the economy and of particular value chains. We discuss to what extent manufactured exports have helped stimulating employment growth in different periods since 1970, and what role production fragmentation and so-called fundamentals, such as skill development and education, have played in generating both productivity and employment growth.