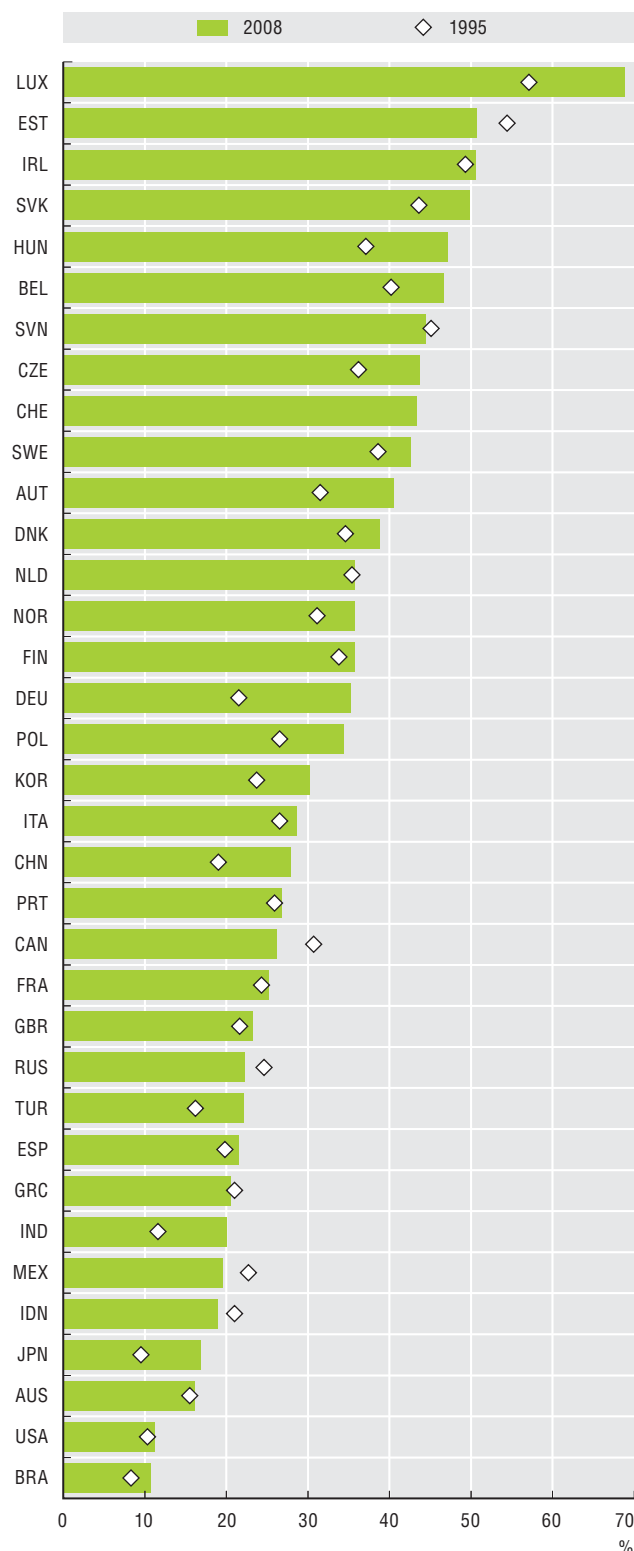


7. PARTICIPATING IN THE GLOBAL ECONOMY

8. Trade and jobs

Jobs in the business sector sustained by foreign final demand, 1995 and 2008

As a percentage of total business sector employment



Source: OECD, Inter-Country Input-Output (ICIO) Database, May 2013; EC, World Input-Output Database (WIOD), April 2012.

StatLink <http://dx.doi.org/10.1787/888932904469>

As global value chains have proliferated, firms have specialised in stages of production. This has increased dependencies among economies, with job creation increasingly determined by a country's ability to access foreign markets. Traditional statistics do not show the extent of these interdependencies. In particular, they do not reveal how consumers in one country drive and sustain jobs in countries further up the value chain. Experimental and preliminary indicators, based on the OECD's Inter-Country Input-Output (ICIO) Database, show that these relationships are significant and growing.

Preliminary estimates suggest that in 2008, 20% to 45% of business sector jobs in most European economies were sustained by final consumers in foreign markets. Compared to 1995, these shares increased in all countries; in Germany it rose more than 10%. Greece and Spain had the lowest shares in Europe. Shares are smaller in Japan and the United States owing to their relatively large size and lower dependency on exports/imports. Nonetheless, initial estimates for 2008 suggest that over 10 million US business sector jobs were sustained by foreign consumers.

Brazil, China and India saw significant increases in the number of jobs sustained by foreign demand. By 2008, over 25% of business sector jobs in China were sustained by foreign demand. Preliminary indicators also reveal the importance of emerging markets for OECD countries. In the United States for example, over a fifth of all jobs sustained by foreign demand in 2008 can be attributed to final consumers in East and Southeast Asia.

In OECD countries, most jobs sustained by foreign demand are in manufacturing; services contribute from 20% to 40%. This is less than the contribution of the services sector to value added in exports, partly owing to higher labour productivity in services exposed to global markets.

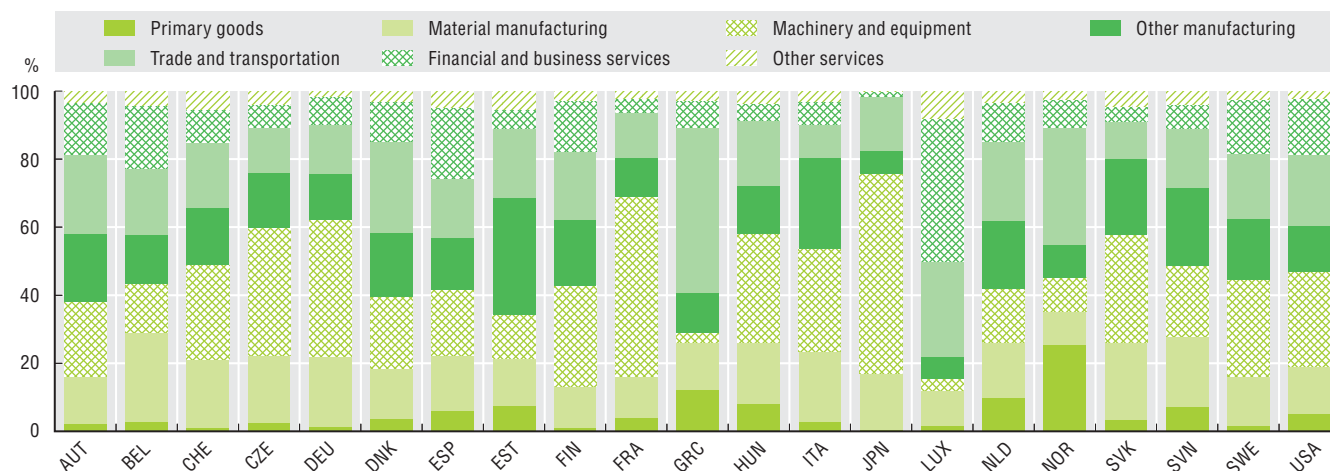
Definitions

Jobs refer to the total number of persons employed. *Final demand* refers to the sum of final consumption expenditure by households, government and non-profit institutions serving households (NPISHs) and gross fixed capital expenditures as defined in the 1993 System of National Accounts (SNA 93).

The aggregate sectors are based on ISIC Rev.3 activities. The business sector is defined as Divisions 10 to 74, i.e. total economy excluding Agriculture, forestry and fishing (Divisions 01-05), Public administration (75), Education (80), Health (85) and Other community, social and personal services (90-95). Primary goods consists of Divisions 01-05, 10-14; Material manufacturing: 23-25, 26, 27-28; Machinery and equipment: 29-33, 34-35; Other manufacturing: 15-16, 17-19, 20, 21-22 and 36; Trade and transportation: 50-64; Financial and business services: 65-74; Other services: 40-41, 45 and 75-95.

Jobs sustained by foreign final demand, by sector, 2008

As a percentage of total jobs embodied in foreign final demand

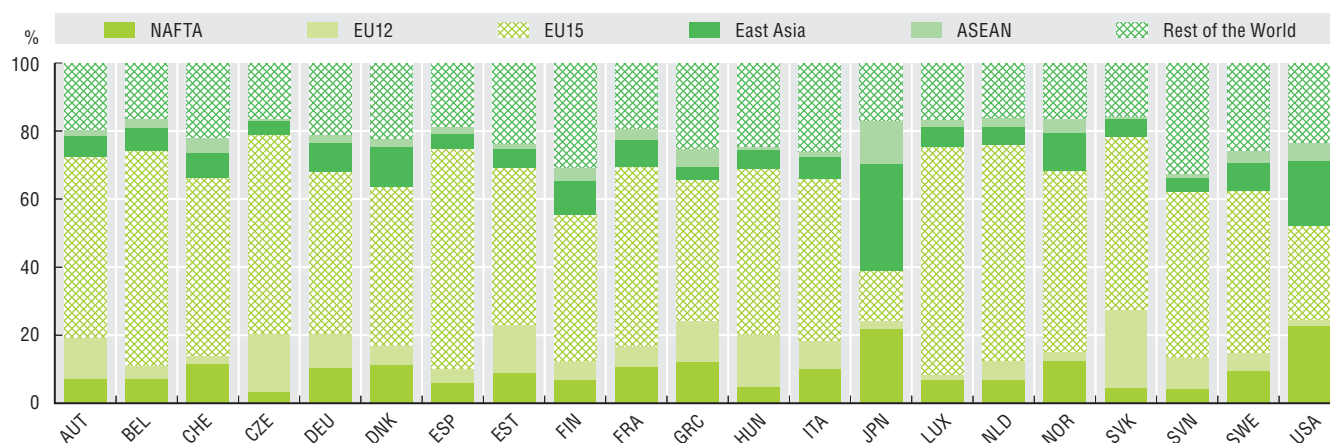


Source: OECD, Inter-Country Input-Output (ICIO) Database, May 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932904488>

Jobs sustained by foreign final demand, by region of demand, 2008

As a percentage of total jobs embodied in foreign final demand



Source: OECD, Inter-Country Input-Output (ICIO) Database, May 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932904507>

Measurability

Calculations of jobs sustained by foreign final demand are similar to those used to estimate domestic value added in foreign final demand except that a vector, e , of jobs to output ratios is applied (rather than a vector, v , of value added to output ratios): $e(I-A)^{-1}y$.

Estimates derived using an input-output accounting framework are sensitive to certain assumptions, mainly that exporting firms have the same labour productivity as firms producing goods and services for domestic markets and the same share of imports, in relation to output, as domestic firms.

However, exporting firms appear to have higher labour productivity and a higher share of imports for a given output. The results presented may therefore be biased upwards. Efforts are under way to reduce the size of these biases.

Three other issues are worth mentioning. The jobs estimates are not full-time equivalent measures. They relate to jobs sustained rather than created as they may have previously served domestic consumers. The estimates do not reflect jobs sustained by distributors through sales of imported final goods or upstream jobs created (e.g. via transport and storage industries involved in distribution channels for these goods).



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