



Job creation in manufacturing and services – building on a global success story of the last 50 years

By: Peter Brabeck-Letmathe – December 3, 2013

Some years ago, the Washington-based Cato Institute published a report “It’s getting better all the time. 100 greatest trends of the last 100 years”. In a period characterized by guarded pessimism regarding the future (see for instance the recent speech delivered by Larry Summers at the IMF Economic Forum), it is important to remind ourselves of the global picture and of underlying long-term trends worldwide, and avoid extrapolating in our perception from the impact of some misled policies in some large Western economies to the global economy.

In the Cato publication referred to above, one of the most important areas of our lives, namely employment, seems to be missing. This element becomes even more relevant in times of high unemployment in OECD countries, such as today, when many people come to the conclusion that we are running out of work, that we have to redistribute through successive stimulus packages and by way of low interest rates, rather than let companies do their job in a free market economy.

So, how has employment evolved over the last 50 years?

Jobs in manufacturing and services, worldwide – 1965-2010, in million

	1965	1982	1991	1999	2005	2010
Jobs (in mn)	660	974	1300	1544	1859	2120
Average annual increase (in mn)		18.4	36.2	30.6	48.1	50.1

Source: H. Hauser, University St. Gallen, WTO News 2001; and own calculations based on World Bank statistics (for 2005/10)

The picture provided by these statistics is striking; economic globalisation has turned out to be an unprecedented job generator. The number of jobs added every year (net of job losses) has in fact accelerated in each consecutive observation period in line with economic globalisation to a rate more than 2.5 times the average annual increase before 1982. The only – minor – slow down happened after 1991, when unproductive jobs in the former Soviet bloc were eliminated in large numbers under the pressures of economic reality.

Between 2005 and 2010, i.e., in economically rather difficult years, more than 50 million jobs annually in manufacturing and services were added.

Of course, this acceleration did not happen to the same extent everywhere: much if not most of the acceleration occurred in emerging and developing countries. Jobs were also added in advanced economies certainly experienced growth, albeit at a lower rate. And there are exceptions, particularly in the present debt crisis. Today, as a result of this, youth unemployment has become a serious issue in a number of European countries.

And this brings me back to today's fear regarding the spectre of jobless growth in many Western economies. In my view, we are not going through a general systemic crisis of the market economy as some may believe. Rather, what we are seeing in the US, in parts of Europe and in some other OECD countries are signs of malinvestment – in the past but also today (I am afraid that some aspects of “Green Growth” might be part of this) – as well as attempts to correct errors made in the past (e.g., the reduction of excessive private debt in the US, accumulated in a period of very low interest rates, which encouraged households to spend beyond their means, and encouraged by the government-generated housing bubble; in fact, we see similar problems in some European countries following the introduction of the Euro), and other structural problems that most likely cannot be solved with Keynesian policies and artificially cheap money.

We must generate sustainable jobs, and in view of the demographics particularly for young people. Last month, Nestlé has therefore pledged to create 20,000 positions for young people across Europe over the next three years. The *Nestlé needs YOUTH Initiative* will offer jobs to 10,000 people under the age of 30 and create 10,000 apprentice positions and traineeships by 2016.

What I want to share with you in this post, essentially, is that we must keep in mind the success achieved, in our recent past, in increasing the number of jobs globally. We must build on these successes, with politics ensuring that the ‘private-companies-in-increasingly-free-markets’ job generation machine continues to work even more effectively. As the former Korean President Lee stated at the 2010 G20 meeting that he chaired: stimulus packages do not generate sustainable prosperity and jobs. *“Governments must encourage the private sector to now assume the leading role in generating growth.”*