Edexcel (B) Economics A-level

Theme 3: The Global Economy

3.5 Global Labour Markets

3.5.1 Employment patterns

Notes

Growth of the global labour force

The global labour market has grown significantly since economies around the world have become more industrialised. There are more people than ever in the global labour market. People have moved from rural to urban areas, which has been particularly noticeable in China. This has resulted in several million people being lifted out of poverty, and significant increases in GDP per capita. Productivity in the labour force has also increased.

Efficiency and competitiveness has been increased by investment in labour-saving technologies to make production more efficient.

The global labour force is estimated to increase to a size of 3.5 billion by 2030. The main contributors to this growth will be developing countries, which are moving away from their traditionally rural backgrounds, and towards industry.

Globalisation has also contributed towards the increase in the size of the labour force. Workers can take advantage of job opportunities across the globe, rather than just in their home country. This has led to an improvement in the living standards for people around the world. However, many people are still in poverty, since the benefits of globalisation have not yet reached them.

Structural change

There has been a recent growth in the exports of manufactured goods from developing countries to developed countries. This is because developing countries have gained an advantage in the production of manufactured goods, due to their lower labour costs, so production shifted abroad.

The deindustrialisation of countries such as the UK has meant the manufacturing sector has declined. This means that production of manufactured goods has shifted to other countries, such as China, whilst the UK now focuses more on services, such as finance. In developed countries, such as the UK, the knowledge economy has grown.

This has led to the industrialisation of China and India. Their share of world trade has and the volume of manufactured goods that they export has increased. This led to millions of people being lifted out of poverty. The change in the structure of the economy has been a driving force behind this economic growth. Workers who are not in farming are seven times as productive as those in farming in China.

Between 1995 and 2005, India's share of textiles and clothing fell from 35% in 1995 to 16% in 2005. Instead, India's manufacturing sector seems to produce more engineered goods than clothing and textiles. This has resulted in UK manufacturers selling fewer manufactured goods abroad.

Both China's and India's share in agriculture, mining and fuel has declined. Both countries are important in the Euro area, with trade and financial relations. China is a main import source, whilst both are important for capital.

Interdependence of labour markets

The global labour market has become increasingly interdependent, since events in each individual labour market affect the global market. It could be argued that it is harder for labour in developed countries to compete with low-cost labour in developing countries, and that there has been lower wages and higher rates of unemployment as a result.

India is developing its IT industry, and workers have become increasingly specialised with these skills. Since labour is cheaper in India than in western labour markets, so demand for labour to develop software has fallen in western labour markets.

The increasing interdependence of labour markets particularly affects the supply of labour at the lower wage rates, because of the increasing influence of workers from economies with average wages lower than the UK minimum wage. There could be more competition to get a job due to the rise in the size of the working population. This might result in wages becoming depressed.