

OECD Global Forum on Competition 2015

Boosting Competition to Create Better Jobs



WORLD BANK GROUP

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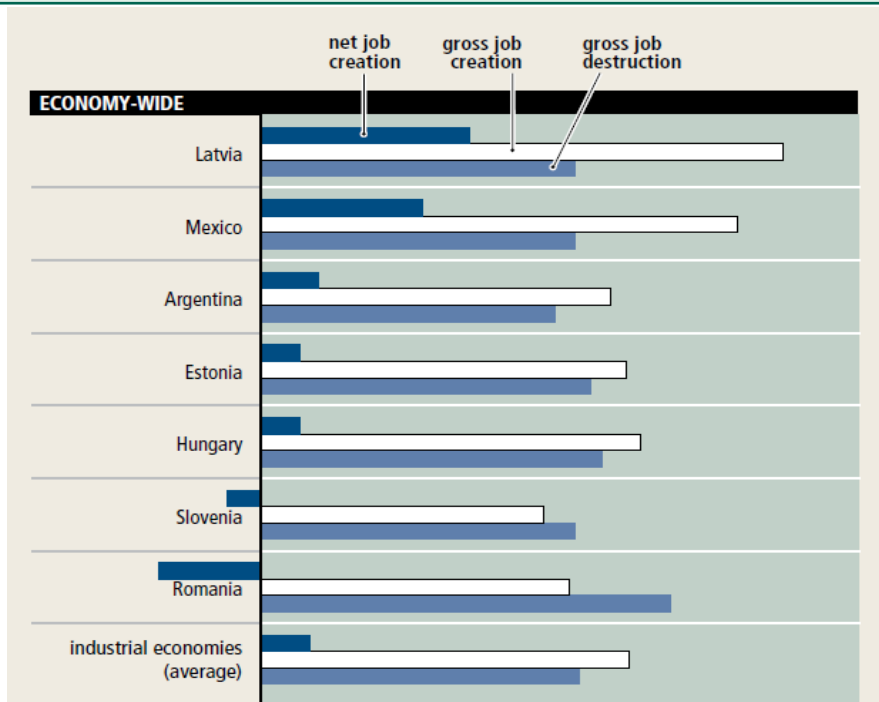
Klaus Tilmes, Trade and Competitiveness Global Practice

Greater competition is crucial to the process of creating productive jobs although there may be short term trade-offs

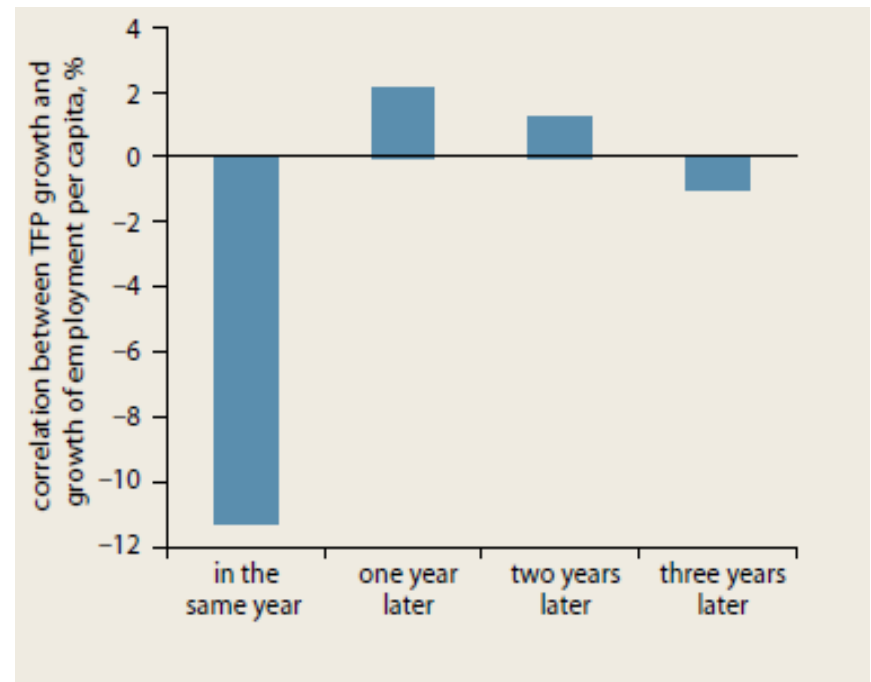
- ✓ **Competition drives the allocation of labor to more productive activities...leading to more and better jobs in the long term**
- ✓ Driven partly by disappearance of low productivity jobs as well as creation of more productive jobs
- ✓ Short term firm entry-exit dynamics + reduction in over-manning are a critical part of this process.
- ✓ Impacts are context specific but WBG analysis reveals....

1. Dynamics characterized by more jobs created than destroyed annually (23 countries)

2. Negative employment effect of TFP surge reverses after only 1 year (97 countries, 99-09)



Source: World Bank Group, World Development Report, 2013



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Reforms to boost competition in markets have a strong link to jobs...

But impacts differ across different reforms and further evidence is required

Introducing market mechanisms in sectors where SOEs operate

Green tea in Rwanda: Development of **competitive bidding processes** for 2 state factories

→ 65,000 farmers saw incomes increase by 35%



Reducing entry barriers & eliminating regulatory protection of incumbents

Tea in Kenya: CAK provided opinion to allow **licensing of a new specialty tea factory**
Entry previously vetoed by incumbents

→ 230% increase in price per kg received by farmers switching to the specialty tea



- How do income effects vary **over time**? **Spillover effects** on labor participation & incomes in other sectors?
 - Effect on supply **contract characteristics** in other sectors, e.g. to prevent farmers switching?
 - Distribution of effects across **skill levels**? Across **income levels**?

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Easing restrictions on business operations

Retail in Mexico: Allowing for **extended shop opening hours**

Increase competition, promote sales, stimulate employment

Distributional impacts for **women**?

OPEN
for Business

Guaranteeing a level playing field for firms

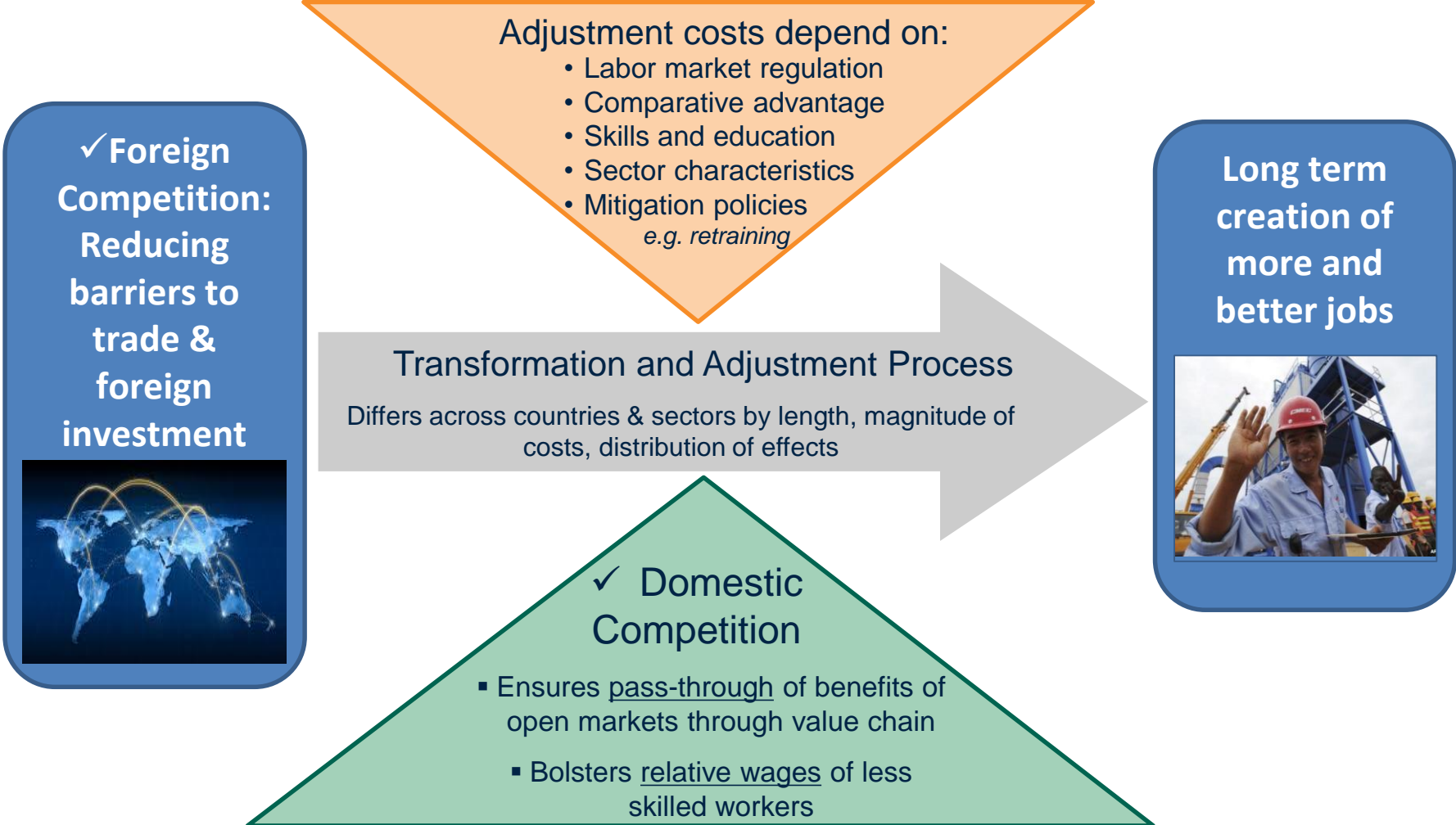
Fertilizers and pesticides in Honduras: Reform of **discretionary registration procedures** for new agri input varieties

→ 300 additional products registered p.a., up to 9% decrease in pesticide price, increased choice for 35,000 farmers

Impact on **upstream jobs**?
Extent of **spillovers** in **downstream** agricultural sector?



The path to long term gains from reducing barriers to trade & foreign investment: Shaped by domestic competition and adjustment costs



Considerable scope to build evidence on the impact of competition on jobs

Assessment of dynamics & short term impacts

Build developing country evidence

Understand how SR and LR impact differ across:

- **Type** of pro-competition reform
- **Sector** in which the reform occurs – related to technological bias, labor intensity and the amount of skill required
- **Skill** level of workers
- **Income** groups
- **Gender**
- **Formal** employment versus **informal** employment
- Overall **policy environment**, e.g. the stance of labor market policies.

Impact of innovation

Thank you



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