

Faculti Summary

<https://faculti.net/labor-market-impact-of-export-in-a-commodity-dependent-nation/>

This video discusses the impact of export expansion on the labor market outcomes in Indonesia, particularly in the context of growing trade with China. It highlights that while developing economies have experienced significant growth over the past few decades, labor market outcomes remain uncertain, characterized by high informality and rising inequality. The study focuses on the period from 2000 to 2014, coinciding with China's accession to the WTO, which created a demand shock resulting in increased exports from Indonesia to China.

Key findings of the study reveal that export expansion positively affects formal employment, leading to higher probabilities of workers transitioning from the informal to the formal sector. The research employs an instrumental variable approach to ensure accurate predictions of export trends, considering external demand factors rather than domestic conditions.

The results indicate that while export growth enhanced job quality, particularly for those already in the labor market, its benefits were more pronounced among lower and middle-income workers and individuals with lower education levels. The positive effects on employment were notably strong in non-commodity reliant districts, underscoring the crucial role of the manufacturing sector.

This video concludes by emphasizing the need for policy makers to focus on promoting export growth in sectors like manufacturing and investing in infrastructure and skills development to maximize the benefits of this growth, ultimately aiming to reduce labor market informality and income inequality.