

ECONOMIC AND SOCIAL UPGRADING DYNAMICS IN GLOBAL MANUFACTURING VALUE CHAINS: A COMPARATIVE ANALYSIS

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OVERVIEW

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- 1. Motivation of research**
- 2. Research objectives and guiding questions**
- 3. Defining and measuring 'upgrading'**
- 4. Economic upgrading / downgrading analysis**
- 5. Social upgrading / downgrading analysis**
- 6. Relationship between economic and social performance**

Motivation

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- Since early 1990s, acceleration of international fragmentation of production and emergence of GVCs. Initially, this was seen as providing developing countries with new **opportunities** to promote economic development through
 - ▣ new opportunities to participate in international trade
 - ▣ facilitating **economic upgrading** to maintain / improve competitiveness
- Large part of this GVC analyses were through **case studies**, which often focused on success stories (selection bias)
- More recently, a number of researcher has taken a **more critical stance**, shedding light on failures to reap benefits of GVC participation (**'risk of downgrading'** and **'failures to upgrade'**)
- Moreover, the **social implications** of GVC participation have only recently received more attention in GVC research

Research objectives and questions

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- Complement the case study literature on upgrading in GVCs by scaling up the scope of analysis and taking a bird's eye view on upgrading dynamics
- Applying a parsimonious measurement approach in order to:
 1. Analyze (econ. + soc.) upgrading trajectories for a large country sample (roughly 35 countries in each of four selected GVCs)
 2. Make comparisons + identify upgrading patterns across GVCs and country groups
 3. Investigate relationship between economic performance and social performance

Guiding research questions

1. How widespread are economic and social upgrading across 4 selected GVCs?
2. Which GVCs have seen most upgrading and which most downgrading?
3. Can we identify differences across regions and between developed and developing countries?
4. What are the social consequences of economic upgrading?

Defining 'upgrading'

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'Upgrading' as complex, multifaceted processes

- Economic upgrading defined as process whereby producers 'move up the value chain', i.e. move into higher productivity and higher value-added aspects of production and export
- Social upgrading typically defined to capture improvements in working conditions and living standards more generally
- Overall upgrading defined here as a combination of economic and social upgrading

A parsimonious approach

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Parsimonious approach to measuring ‘upgrading’:

Economic Upgrading – defined as a combination of:

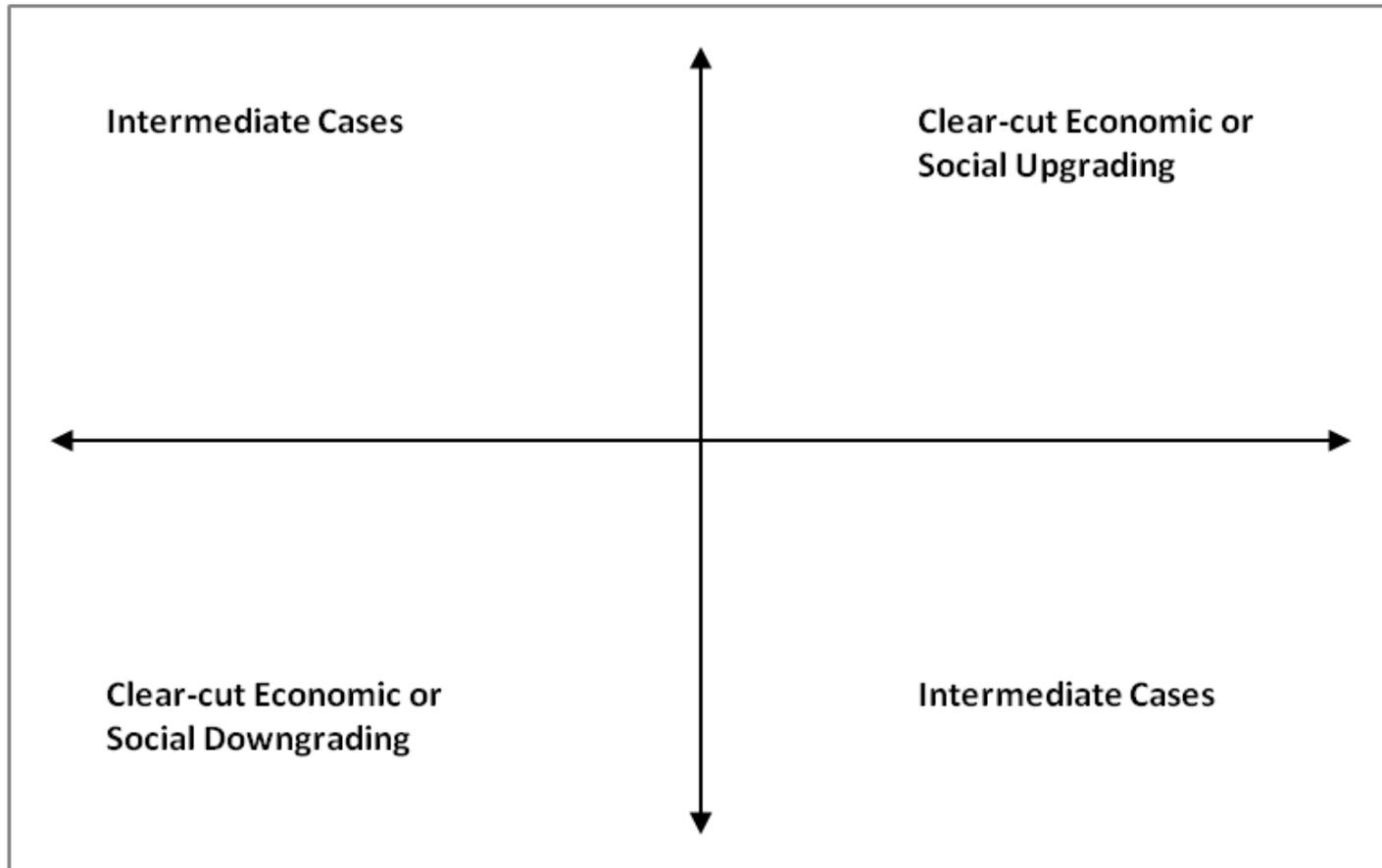
- i. Increase in export unit values relative to industry average
(implying export of higher-value products)
- ii. Increase in world export market share
(reflecting international competitiveness of exports)

Social Upgrading – defined as a combination of:

- i. Increase in sectoral employment
- ii. Increase in sectoral real wages

Prototype matrix of economic or social upgrading/downgrading

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Prototype matrix of 'overall upgrading/downgrading'

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		Economic		
		Downgrading	Intermediate Case	Upgrading
Social	Upgrading	<i>Social Upgrading with Econ. Downgrading</i>	<i>Social Upgrading without Econ. Upgrading</i>	"Overall Upgrading"
	Intermed. Case	Economic downgrading without Social Upgrading	Lack of Upgrading	<i>Econ. Upgrading without Social Upgrading</i>
	Downgrading	"Overall Downgrading"	Social Downgrading without Economic Upgrading	<i>Econ. Upgrading with Social Downgrading</i>

Details of analysis

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GVC selection

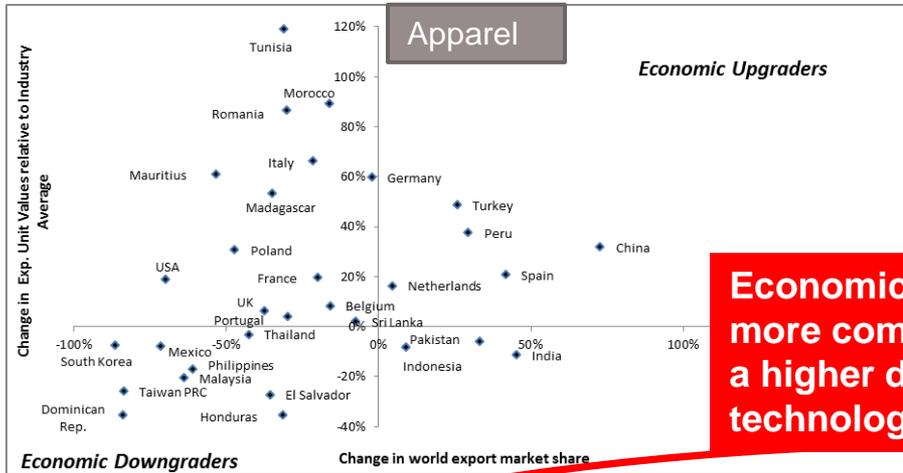
- Apparel, wood furniture, automotive, mobile phones
- GVCs with different degrees of technological sophistication and varied governance structures

Country selection

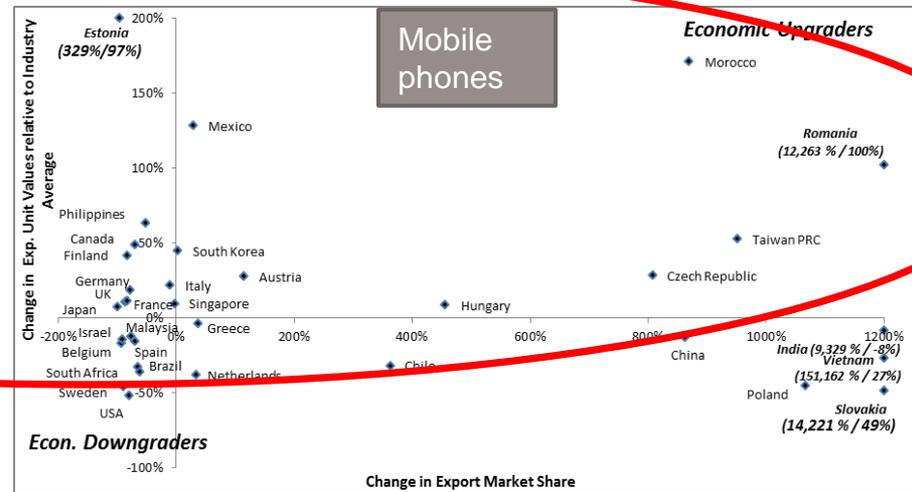
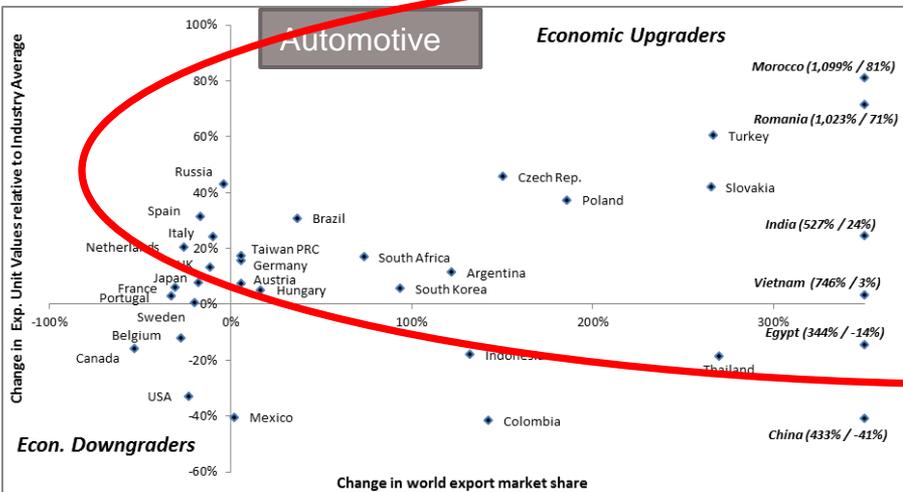
- Top 25 exporters in both 2000 and 2012
- Ensure regional representation

Period of observation: 2000-2012

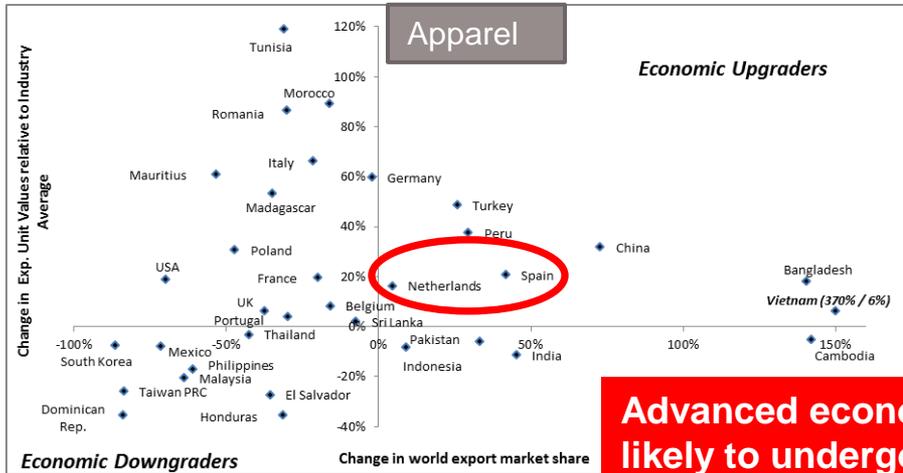
Economic Performance – Analysis (1)



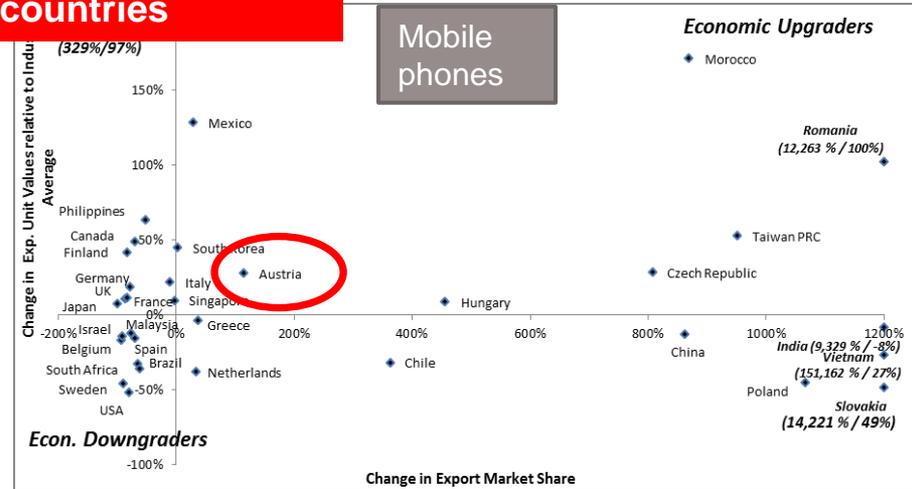
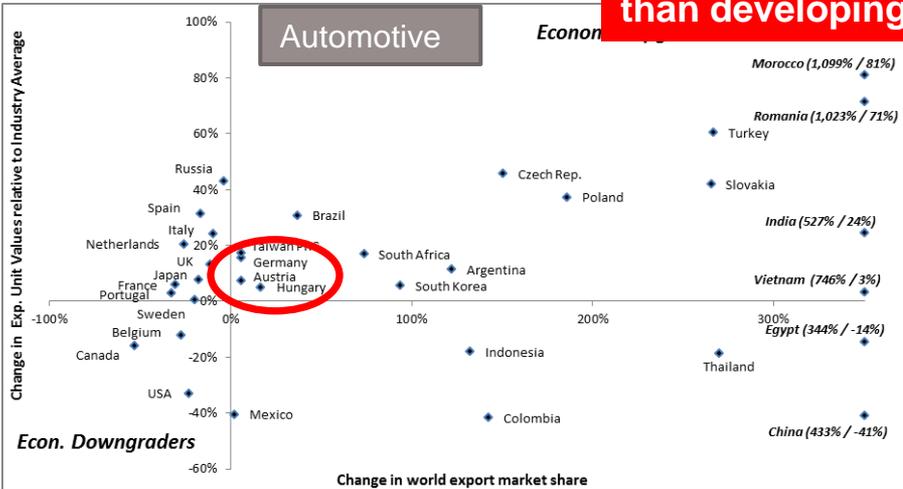
Economic upgrading has been more common in sectors with a higher degree of technological sophistication



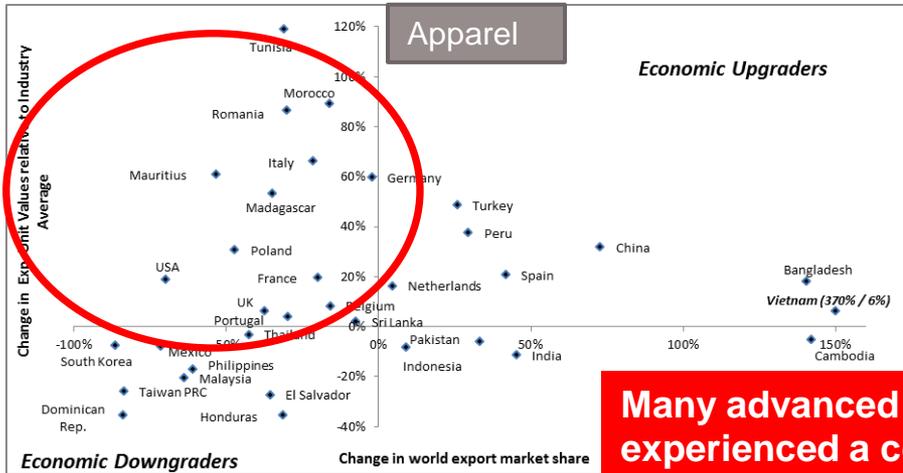
Economic Performance – Analysis (2)



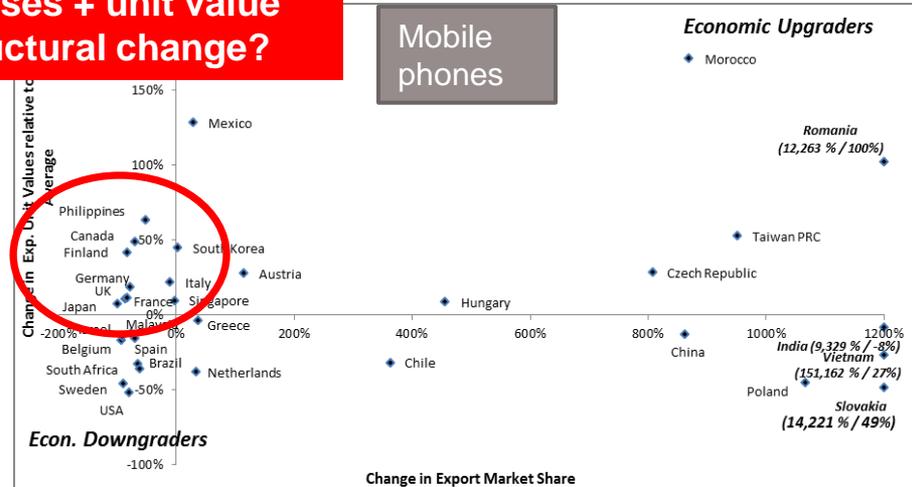
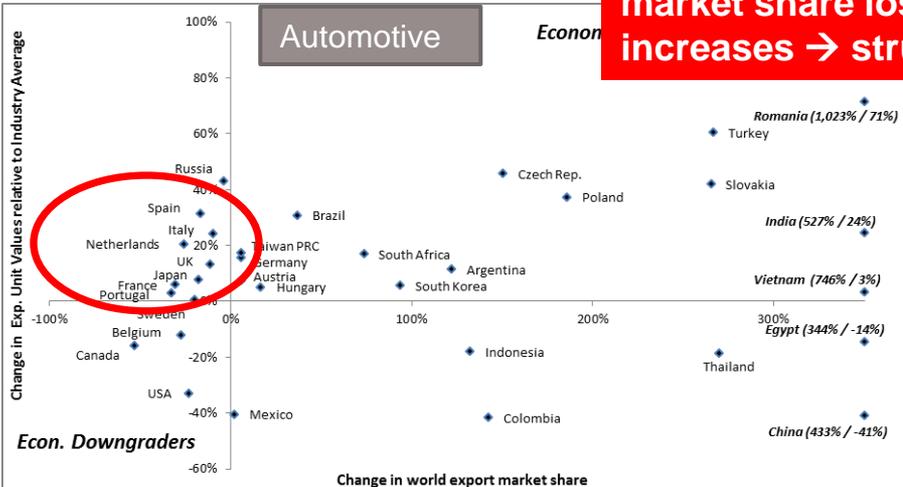
Advanced economies are less likely to undergo econ. upgrading than developing countries



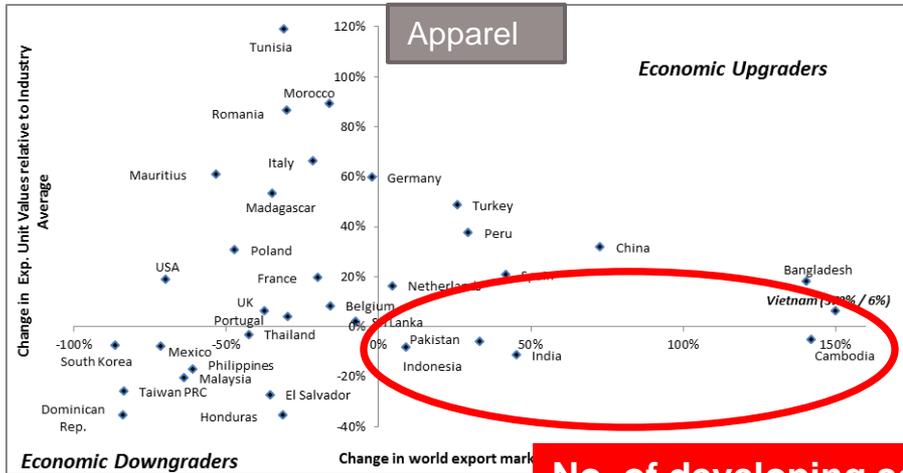
Economic Performance – Analysis (3)



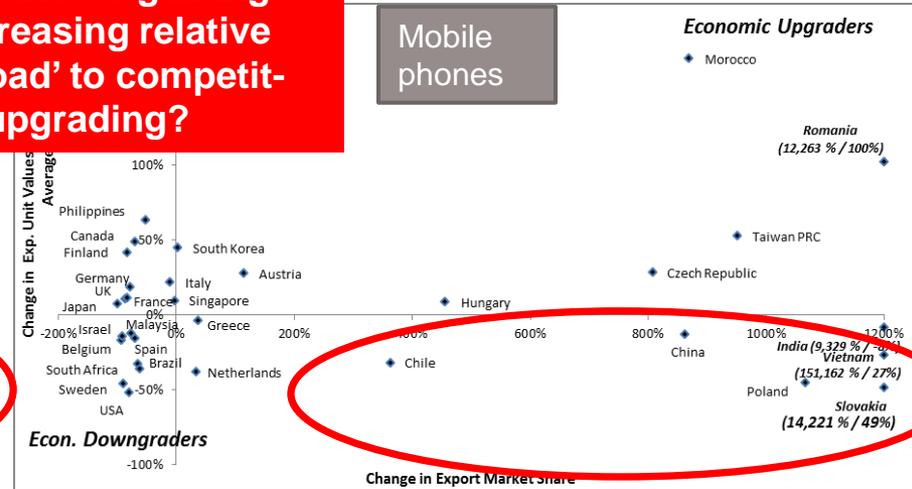
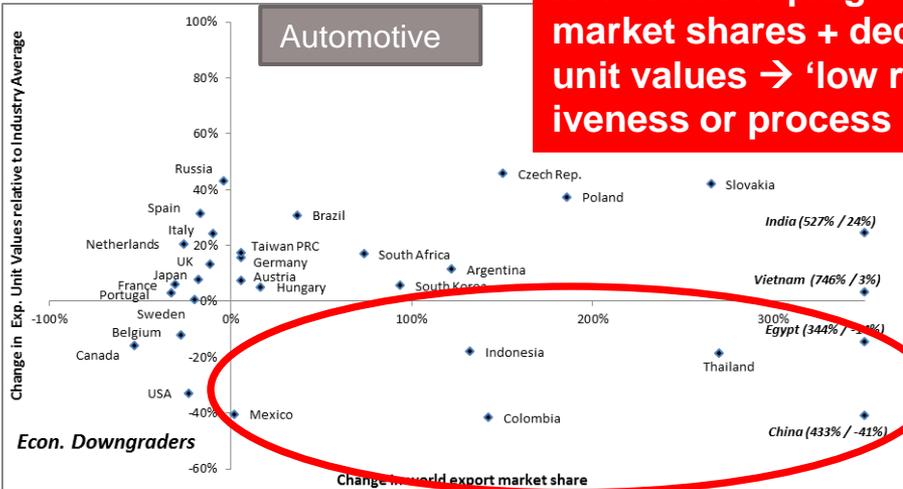
Many advanced economies have experienced a combination of market share losses + unit value increases → structural change?



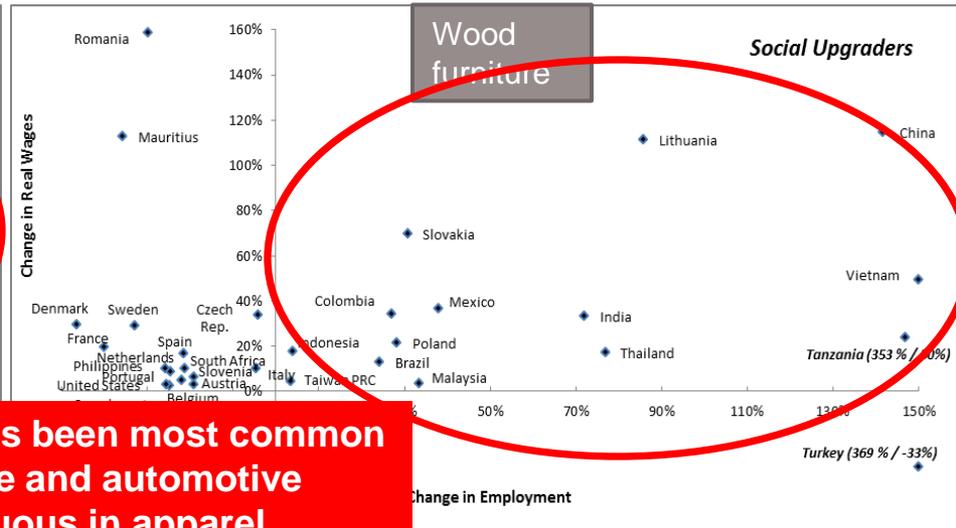
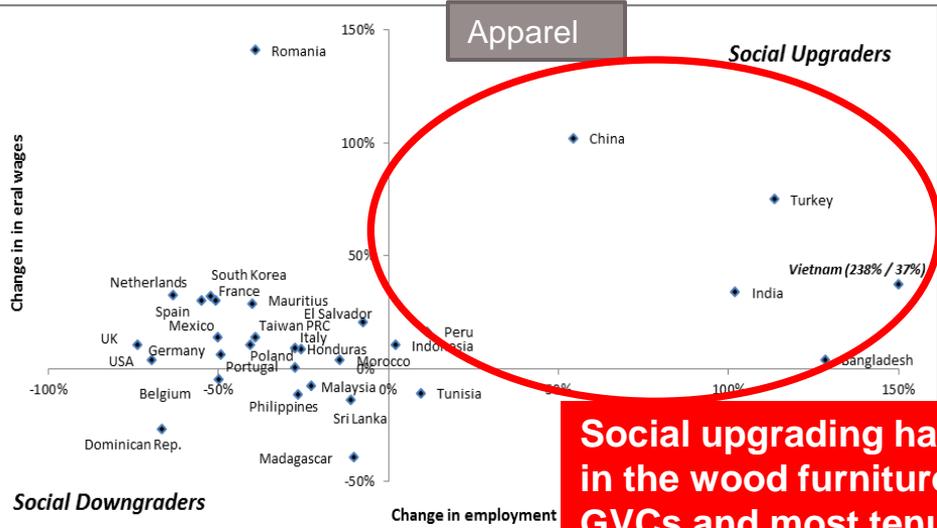
Economic Performance – Analysis (4)



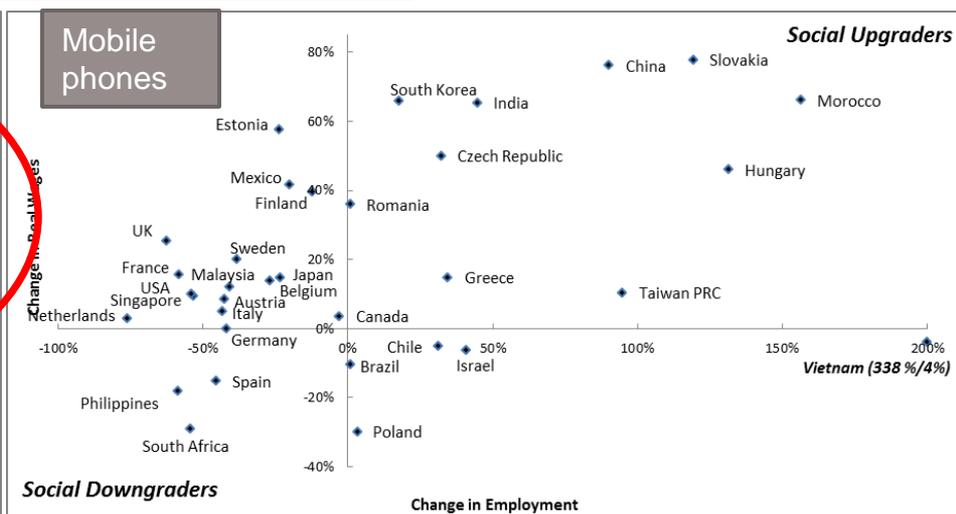
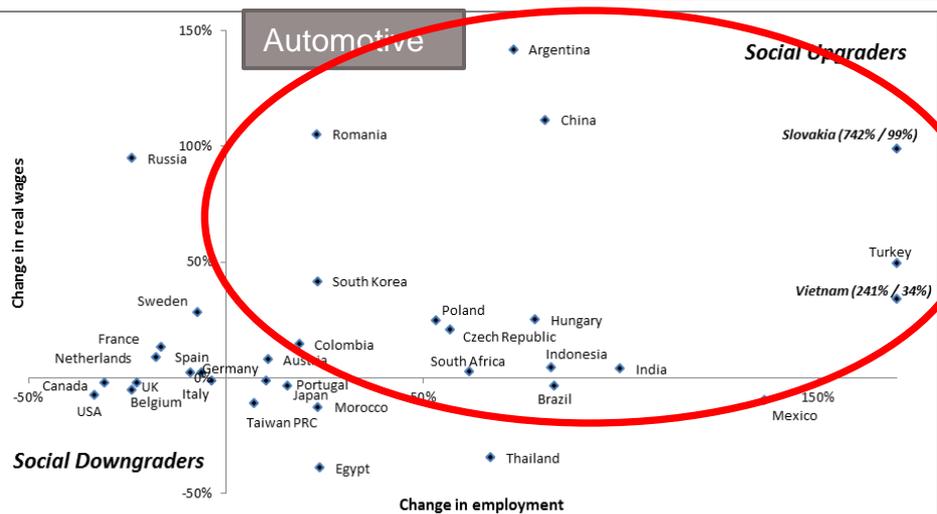
No. of developing countries gaining market shares + decreasing relative unit values → 'low road' to competitiveness or process upgrading?



Social Performance – Analysis (1)

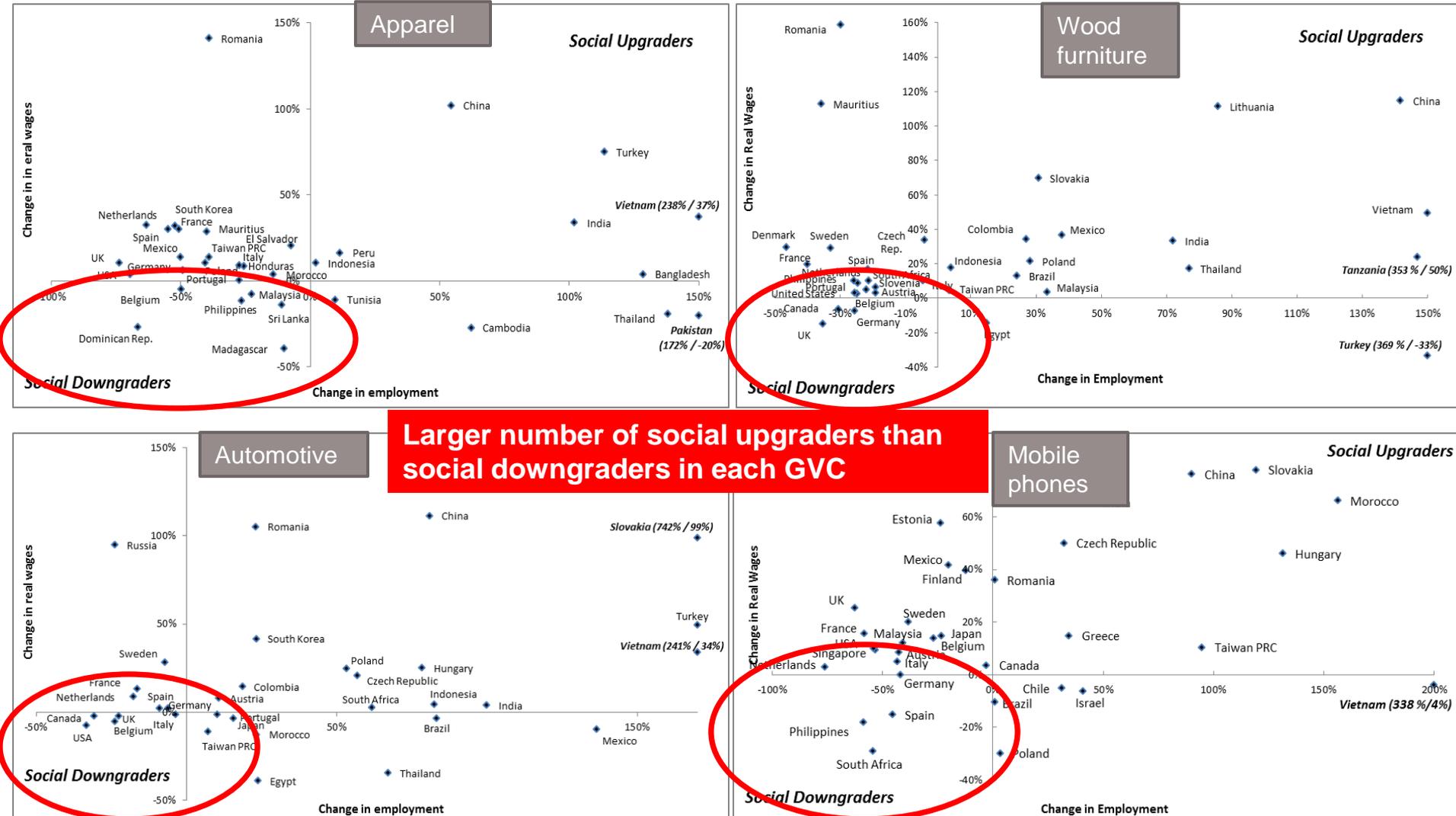


Social upgrading has been most common in the wood furniture and automotive GVCs and most tenuous in apparel

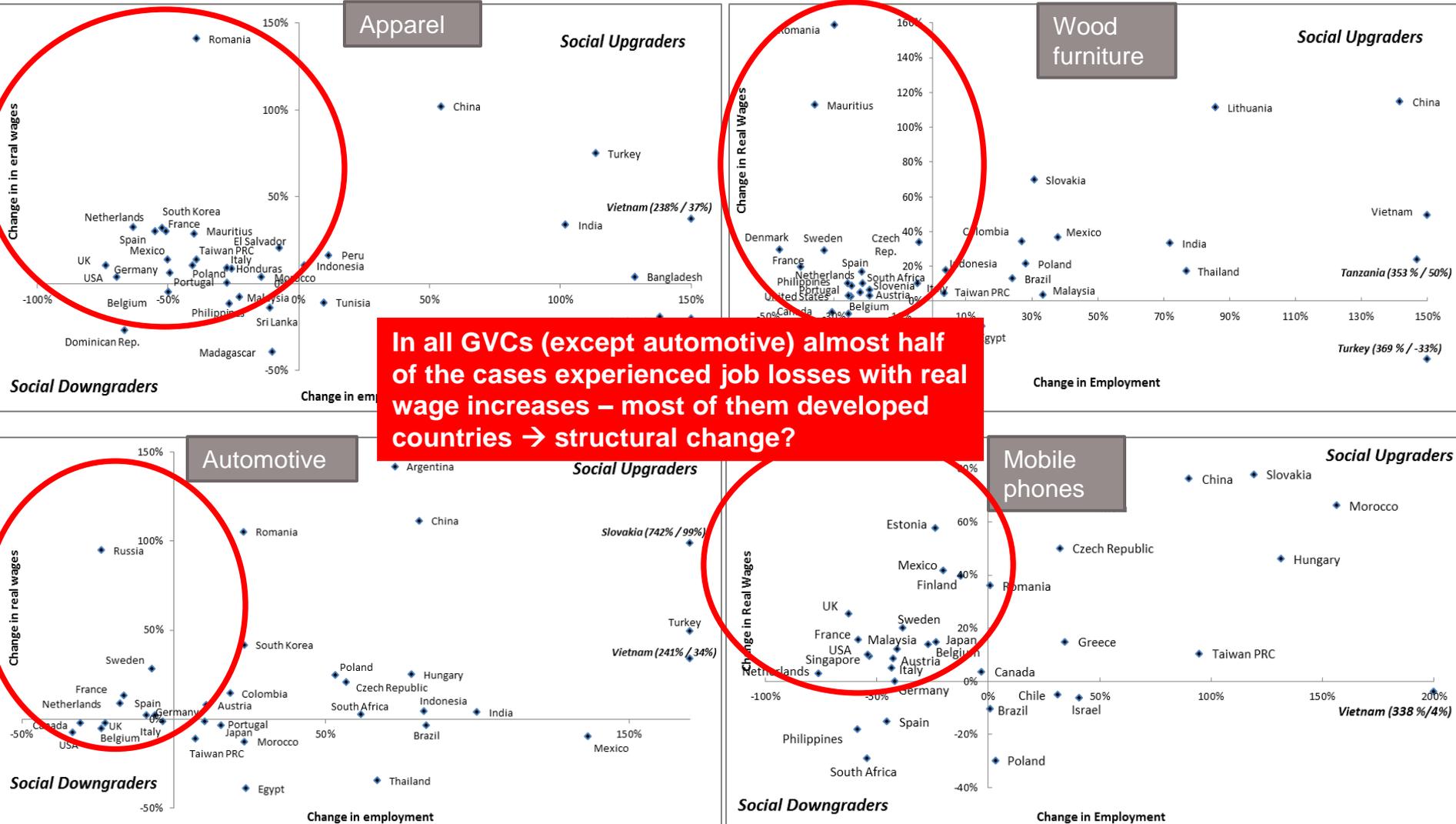


Social Performance – Analysis (2)

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Social Performance – Analysis (3)



Overarching findings

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- Economic upgrading has taken place in just over a quarter of our sample (vs. case study literature)
- Social upgrading (which was recorded in one third of the countries in our sample) has, thus, been more widespread in our sample than economic upgrading
- However, upgrading patterns differ across GVCs and country groups...

Relationship between economic and social performance

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- In more than half of the countries in our sample, economic and social performance have moved in the same direction
 - The relationship has been strongest in the automotive GVC and weakest in the wood furniture GVC
 - Across our samples about a fifth of the countries experienced overall upgrading (mostly Asian and Eastern European, and more in high-tech sectors)
 - No case of economic upgrading with social *downgrading* (except Germany in the wood furniture GVC)
 - Only very few cases of social upgrading *without* economic upgrading
- findings suggest that **economic upgrading is conducive to, but not sufficient for, social upgrading**

**THANK YOU
FOR YOUR ATTENTION**

APPENDIX

Economic and Social Up/Downgrading in the Apparel GVC

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		Economic		
		Downgrading	Intermediate Cases	Upgrading
Social	Upgrading		India, Indonesia	Bangladesh, China, Peru, Turkey, Vietnam
	Intermediate Cases	El Salvador, Honduras, Mexico, South Korea, Taiwan PRC, Thailand	Cambodia, France, Germany, Italy, Mauritius, Morocco, Pakistan, Poland, Portugal, Romania, Tunisia, UK, USA	Netherlands, Spain
	Downgrading	Dominican Rep., Malaysia, Philippines	Belgium, Madagascar, Sri Lanka	

Economic and Social Up/Downgrading in the Wood Furniture GVC

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		Economic		
		Downgrading	Intermediate Cases	Upgrading
Social	Upgrading	Brazil, Malaysia, Thailand	Colombia, Indonesia, Lithuania, Mexico, Slovakia, Taiwan PRC, Tanzania	China, India, Poland, Vietnam
	Intermediate Cases	Denmark, France, Sweden, USA	Austria, Belgium, Czech Republic, Italy, Mauritius, Netherlands, Philippines, Portugal, Slovenia, South Africa, Spain, Turkey	Egypt, Romania
	Downgrading		Canada, UK	Germany

Economic and Social Up/Downgrading in the Automotive GVC

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		Economic		
		Downgrading	Intermediate Cases	Upgrading
Social	Upgrading		China, Colombia, Indonesia	Argentina, Austria, Czech Rep., Hungary, India, Poland, Romania, Slovakia, South Africa, S. Korea, Turkey, Vietnam
	Intermediate Cases		Egypt, France, Mexico, Japan, Netherlands, Portugal, Russia, Spain, Sweden, Thailand	Brazil, Germany, Morocco, Taiwan PRC
	Downgrading	Belgium, Canada, USA	Italy, UK	

Economic and Social Up/Downgrading in the Mobile Phones GVC

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		Economic		
		Downgrading	Intermediate Cases	Upgrading
Social	Upgrading		China, Greece, India, Slovakia	Czech Republic, Hungary, Morocco, Republic of Korea, Romania, Taiwan PRC
	Intermediate Cases	Belgium, Brazil, Israel, Malaysia, Sweden, United States	Canada, Chile, Estonia, Finland, France, Italy, Japan, Netherlands, Poland, Singapore, United Kingdom, Vietnam	Austria, Mexico
	Downgrading	South Africa, Spain	Germany, Philippines	

Future research

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- Draw on additional national and international data sources, e.g.:
 - Trade in Value Added (TiVA) or World Input Output Data (WIOD) for measuring economic upgrading, and particularly,
 - Data on working conditions to more accurately capture social upgrading
- Robustness checks (e.g. with respect to time period, choice of indicators, etc.)
- Direction of causality (econ. \Leftrightarrow soc. performance)
- Corroboration with case studies and fieldwork findings
- Combining with fieldwork findings to answer the central question: What are the conditions under which economic and social upgrading are positively correlated?

Note of caution for inferences: Data issues

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1. Data availability

- ▣ Particularly for social upgrading
- ▣ Important for scatter plots (start/end points)

2. Data consistency

- ▣ Unit value calculations (Unit of quantity)

3. Comparability of Data

- ▣ For one country (using data from different sources, e.g. UN Comtrade and UNIDO or ILO)
- ▣ Across countries (e.g. wages)