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THINK PIECE

Globalization of Work

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The term globalization became popular in the last decade of the 20th century. Although the phenomenon itself is actually much older, with periods of globalization in the 16th and 19th centuries, current globalization is marked by several phenomena at the same time: new markets linked globally operating 24 hours a day; new technological tools; new actors, such as multinational corporations, global networks of non-governmental organizations (NGOs) and other groups transcending national boundaries; and new international rules increasingly binding national governments and reducing the scope for national policy (UNDP 1999). Globalization is not so much driven by technological progress, but is rather the outcome of political and ideological change. It is a human (or rather state) led process.

The fall of the Berlin Wall brought scholars such as Francis Fukuyama to declare the end of history. Democratic free-market thinking had won the ideological battle forever. John Williamson published in 1989 for the first time his ideas of a 'Washington Consensus'—a list of policy recommendations for developing countries mainly based on experiences with structural adjustment programmes of the World Bank in Latin America at the end of the 1980s. Internationally, the International Monetary Fund and World Bank, supported by the United States of America and European governments, flexed their muscles for liberalization of international capital markets, after they had flexed their muscles earlier for trade liberalization.

In the beginning of the 21st century, globalization and free capital should thus have become the engine for the substantial growth and progress of nations. Globalization and especially financial globalization became 'the only game in town'. What was the result? It was not higher economic growth as promised. On the contrary, growth took place mostly in countries that participated somewhat in globalization, but on their own terms, with continuing restrictions on capital flows and with political decisions that were often not those of the Washington Consensus. Examples are the steady growth of China, India and until recently Brazil. But unfettered globalization has thrown the rest of the world into a deep financial, economic and social hole. Despite courageous promises by national and international policy makers to change the international financial system following the financial and economic crisis in 2008 (which in itself was a direct consequence of unfettered globalization) little in global financial governance has actually been changed

Continuing globalization, and especially financial globalization, has a major influence on work, work conditions and work security all over the world. Globalization makes the power lines and tensions that dominate the national and international labour markets clear, and sharpens the contrast between workers who profit from globalization and those who have difficulties making ends meet. The nature of work has changed, including more flexible work in developed countries and continuing, sometimes even increasing, informal work in many developing and emerging countries. There is more work in some fast-growing countries, but remuneration and security are very unequally distributed. Averages of well-being in countries often hide more than they reveal. Most poor people do not live anymore in poor countries, but in middle-income countries.

A few salient trends depict the globalization of work:

- *Declining labour force participation ratios*. The only regions where the ratio increased—because of an increased female employment-to-population ratio—from an extreme low to a somewhat higher level are the Middle East and North Africa. At the global level, two opposite trends are at play: an increased ratio for female labour force participants and a decline of male participation. The first trend can be ascribed to changes in customs and norms, and the second to economic and labour market consequences of globalization. This has led to falling global labour force participation rates over recent decades, which stabilized at the global level at about 63.5 percent in 2013. But long-run trends point to further declines, with participation rates falling significantly by 2030. Such decreased labour force participation lowers the potential growth of affected economies (ILO 2015)

- *A shift from employment in industry to employment in services*. In developing countries, the share of employment in services increased from 33.5 percent in 1990 to 43.5 percent in 2010, and in the developed regions from 61 percent to 71 percent. There is, however, an important distinction between services in developing and developed countries. In the former, activities in the informal sector, with low value added, are often an important component of the service sector. A better indicator of the development of jobs for developing countries is the size of the manufacturing sector. At the global level, the share of employment in industry has hardly changed between 1991 and 2010, remaining at 21.5 percent. But there are important regional differences. The most dramatic increase was in South-east Asia and the Pacific, and in South Asia. More recently, these and other developing and emerging countries have witnessed a process of premature de-industrialization (Rodrik 2015).

- *More precarious work*. This is noticeable both in developed and developing countries. In the former, it takes the form of temporary contracts, e.g., 70 percent of the working population between 25 and 49 years in Europe cannot find a permanent job, working involuntarily in temporary or part-time jobs. In developing countries, precarious work takes the form of a relatively big informal sector, which, against earlier expectations, is not getting smaller. There is evidence of a clear link between the increase in non-standard work and income inequality, mainly owing to widening wage differentials between standard and non-standard jobs (ILO 2011).

- *Continuing or increasing youth unemployment*. In many regions in the world, youth unemployment is high, on average two and half times as high as for other age groups. The highest rate of youth unemployment is in the Middle East and North Africa, where 25 percent or more of all youth do not have a job. In countries with lower youth unemployment, it is nevertheless often difficult for youth to find a decent job. In the European Union, the first job is often a part-time job or a job without any form of social security (ILO 2015).

- *A decreasing labour share of national income*. On average, the labour share in developed countries has declined from about 75 percent of gross domestic product (GDP) in the mid-1970s to about 65 percent. In developing and emerging economies, it has declined from about 62 percent of GDP in the early 1990s to 58 percent. Even in China, a country where wages roughly tripled over the last decade, GDP increased at a faster rate than the total wage bill—hence the labour income share went down (ILO 2013).

- *Increasing wage differentiation*. Even as the share of wages in national income has declined, the distribution of wages has become more unequal. The distance between the top 10 percent and the bottom 10 percent of wage earners increased in 23 of 31 countries surveyed, while the proportion of workers with low pay (defined as less than two-thirds of the median wage) increased in 25 of 37 countries These trends towards growing inequality remain strong even when other income sources, taxation and income transfers are considered (ILO 2013). A review of levels and trends in education, skills premiums and the skilled labour force across eight East Asian countries shows that while there are increasing proportions of skilled/educated workers over the long run across the region, this is combined with stable or increasing education/skills wage premiums. The importance of skills premiums as drivers of inequality becomes even stronger in countries where access to post-secondary education is distributed more inequitably than incomes (UNDP 2013).

- *Enterprises become transnational and production processes change*. Currently, there are about 82,000 transnational enterprises with 810,000 partners over the whole world. Exports of these enterprises have grown from a quarter to a third of all world exports, and their value added has increase 10-fold between 1990 and 2013. Employment in these enterprises has grown fast from 20 million to about 70 million workers over the same period. Trade now mainly takes place between subsidiaries of these enterprises, which form parts of global production chains with special production techniques (UNCTAD 2014).

- *Migration*. Globalization has affected migration but to a lesser extent. Global figures for migration do not show a rising trend (migrants form about 2.7 percent of the world population) but there are nevertheless regional shifts. Globalization of migration has hardly changed in terms of origin countries, but it has in terms of destination countries. The global migration map has become more skewed, with migration one of the key dimensions of highly unequal global terms of exchange. Poorer countries try to keep their highly skilled labour and encourage the outflow of poorly educated surplus labour, while richer countries welcome higher skilled workers but close their borders to low-skilled workers (Czaika and Haas 2014).

These globalization of work trends attest to a global labour market that is rather different today than 30 years ago, and signal the precariousness of many jobs as well as growing inequality. The definition of work changes: Growing inequality has led to the concept of the 'working poor', where full-time work does not generate sufficient income to live and place one's family above the poverty line.[1]

A further consequence of unfettered (financial) globalization was the financial crisis of 2008, with major consequences for labour markets all over the world. From earlier financial crises we learned that employment recovers more slowly than other economic variables ('jobless recovery'). This happened after 2008. The 2008 crisis was different, however, because the boom before the crisis had already produced fewer decent jobs than normally would have been expected. On top of that, the very fragile recovery has been characterized by slow growth in decent jobs. Poorer workers and their families are often hit in triple ways: First, because they did not profit from the boom leading up to the crisis; second, because they were hurt by the crisis; and third, because they suffer from lower social public spending due to fiscal tightening to lower public budget deficits largely caused by expenditures to support the banking system and stimulus measures.

The crisis of 2008 and its consequences could have been a signal to arrest the globalization of work trends, and to arrive at more stable and fair economic development with decent jobs. While governments forcefully stimulated their economies and supported their banks to avoid a massive

[1] The United Nations Development Programme (UNDP) and the ILO use statistics to measure the quality of work. The World Bank distinguishes between 'good jobs' and 'bad jobs', largely based on income criteria. The ILO goes further and uses decent work, where work is approached from four vantage points: employment, labour rights, social security and social dialogue. When the concept was introduced, it was the intention to construct a decent work index, but as different members of the ILO could not agree on the precise elements of an index, and the measurement and weighting factors of these, the index was never introduced. Progress in decent work is now analysed through yearly thematic reports at the International Labour Conference.

depression after the crisis, one could have expected also stronger measures to combat the root causes of the crisis and to restore employment opportunities (van der Hoeven 2010). But the political constellation was, and is, not ready to intervene more vigorously.

The threat of globalization of work

Many feel the threat of globalization of work. In recent surveys, people in developing and in developed countries clearly indicated what concerns them most: work and especially work for their children. Why have politicians and the political system often not taken these concerns seriously? Why could governments (rightfully) act as bankers of last resort, which absorbed trillions of dollars, but not as employers of last resort? Why such an asymmetrical approach to capital and labour?

One reason seems to be ideological. The thinking of many politicians, in developing and developed countries alike, is still based on neo-classical thinking that was the basis for the Washington Consensus: trust financial and economic markets, and make labour markets more flexible. Secondly, political parties hesitate to put employment at the centre of their agendas, being afraid to be accused of class antagonism or to be regarded as old fashioned. Thirdly, continuing liberalization is a politically easy solution. It requires less, with a public sector that acts in a reactive way, spends money to keep up the financial system and translates social policies into safety nets. Attention to decent work requires more involvement from governments in times of globalization and requires greater coherence among all aspects of socioeconomic policy: macroeconomic policy, sectoral and structural policies, education policies and social security policies. It is not only of concern to ministries of labour but to those at the highest political level.

International financial agencies should not only be accountable for fostering growth and stability, but also for the creation of decent jobs. It is imperative to have a coherent vision on global labour markets, rather than sticking to national labour markets, as the world is changing very rapidly in the context of globalization. A sign of change might be the organization of the 2015 Economic and Social Council integration segment, which was devoted for the first time to achieving sustainable development through employment creation and decent work. Given the lip service many governments pay to the deliberations in the Council, however, it is will only be the beginning of a long road.

Globalization *for* work

Contrary to what many think or argue, globalization is not an accomplished fact. The negative outcomes from the current globalization process (including greater inequality and greater insecurity) may well cause counterforces and ultimately lead to a rejection of all forms of globalization. This happened in the 1930s, when the aftermath of World War I and the Great Depression led to shrinking trade and economic activity for more than a decade. The World Commission on the Social Dimension of Globalization (ILO 2005) looked at various alternatives and came to the following conclusions:

> *Ours is a critical but positive message for changing the current path of globalization. We believe the benefits of globalization can be extended to more people and better shared between and within countries, with many more voices having an influence on its course. The resources and the means are at hand. Our proposals are ambitious but feasible. We are certain that a better world is possible. We seek a process of globalization with a strong social dimension based on universally shared values, and respect for human rights and individual dignity; one that is fair, inclusive, democratically governed and provides opportunities and tangible benefits for all countries and people.*

Such shared values can be instrumental, for example, in the assessment of export processing zones (EPZs) in developing countries. In a balanced development process where economic and social progress reinforce each other, the resulting ability of the economy to absorb surplus labour and to provide decent work in more general ways reduces the effects of EPZs. The gradual decline in the interest of the Republic of Korea and Taiwan Province of China in this type of enclave development attests to this.[2] Countries that pursue more integrated policy approaches for attracting export-oriented foreign direct investment (FDI)—for example, by encouraging tripartite representation on EPZ committees, guaranteeing workers' rights, and upgrading skills and working conditions—have tended to attract higher quality FDI (UNCTAD 2002).

A point which the Commission underscores is that changes are by no means without friction: the integration of markets has losers and winners. The often-used expression of a 'win-win' situation is certainly not applicable, leads to troubled political thinking, and circumvents necessary and difficult

[2] Indirectly, EPZs in earlier development stages may play a role through demonstrating the effects of reducing regulations based on bureaucratic red tape. But when such regulations apply to labour outside EPZs, it is not obvious from a social perspective that such regulations should be relaxed in the factories operating within the EPZs. It has been particularly in relation to labour standards in EPZs that the arguments for deregulation have been contested—such arguments are often based on the simplistic assumption that labour legislation is distortive and detrimental to efficiency (ILO 2003).

political decisions. A different globalization needs therefore to be crafted upon national and international solidarity, not only based on moral principles, but also long-term thinking. A growing polarization between winners and losers will lead to increasing dissatisfaction, especially when the losers belong to the younger generations, which then can lead to national and international chaos. A different globalization needs to be grounded in principles in which people and work, with a number of economic, ecological and democratic boundary conditions, are central.

Work has to become central in national and international politics. It concerns, in effect, decent work, including labour rights, social security and social dialogue. In economic crises, an emergency break is sometimes used to reduce labour rights and as such to create more employment. But research on fundamental labour rights—elimination of child labour, freedom of association, social dialogue, equal treatment and remuneration for women, and abolishment of forced labour—has shown that a positive correlation exists between economic development and fundamental labour rights.

Progress in labour rights in developed countries that are now integrated in the world market did not come automatically. It was the outcome of action by concerned citizens, trade unions and an engaged middle class. This will not be different in the future. International cooperation should therefore not only focus on integrating countries in the world economy and strengthening the position of the poor in those countries, but also in strengthening those groups that stand for an improvement in labour rights. International cooperation has to be placed in the context of increased solidarity.

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