Globalization and Labor Market Challenges: the Role of Trade Unions

Noriyuki Suzuki

1. The Beginning: the Hope

There is no more fundamental economic right than that providing all adults who are able and willing to work with decent work. This visualizes a productive employment, an employment that contributes to value added. Further, this employment is not only decent, but coexists with a certain level of social safety nets (SSNs) for the working population, and a functioning bipartism and tripartism, i.e., consultation between representatives of workers and employers, and among them and the government. We in the trade union movement thought that this right and the accompanying benefits would be more accessible if we opened up economies, and pursued globalization and free trade regimes.

Underlying the discussion on international trade and investment that started in the 1980s, under the auspices of the Uruguay Round, and lasted into the mid-1990s, was the clear understanding that inward-looking development policies had miserably failed to address social development. Such policies had also led to a situation where the global economy had increasingly demonstrated its inability to offer productive employment opportunities to the work force. Thus, we strongly believed that by opening up economies, we would be able to ensure decent work for all.

We had also expected that the process of globalization and free trade regimes would lead to significant improvement in the working and living conditions of workers across the globe by way of sharing gains equitably and promoting social development. Further, workers would be able to enjoy old age benefits and pensions, health facilities, childcare and maternity leave, training and retraining facilities, unemployment allowances, and retrenchment allowances. There would also be provisions for support to the bypassed and marginalized segments of the population, especially in the form of social assistance. We also had in mind that this process would lead to mainstreaming the 1.2 billion afflicted with poverty.

This process would, it was argued, make more effective and better use of information and communication technology (ICT), especially by the left-behind—the large number of developing countries. The process, moreover, would lead to greater access to global capital and facilitate the acquisition of technical know-how, so badly needed and so glaringly missing in many of the developing countries. The opening up of economies, it was further argued, would lead to better-quality and relatively cheaper goods.

The factor market distortions, the outcome of inward-looking policy regimes having also the characteristics of selectivity; licensing, and even discrimination, leading to the suboptimal use and even waste of scarce resources, especially in the developing world, would cease to exist. This would then make the manufacturing and service sector viable and sustainable, especially in the developing countries. The theory of "comparative advantage" was revisited. Many pointed out the gains to be achieved by its hot pursuit. It was indicated as the harbinger of value addition, quality, and efficiency, thus leading to the optimal and effective utilization of the globe's resources, both human and material.

Corruption and poor corporate governance, traits considered to be synonymous with inward-looking policy regimes and exacting a heavy toll on the meager resources of many countries, would largely cease to exist. Hence, it was understood that the process would bring greater transparency, and the introduction of regulations and standards crucially needed for attaining a sustainable and beneficial pattern of socioeconomic development.

The overall beneficiaries were expected to be consumers. They would have sovereignty over determining the type and volume of goods and services to be produced. Besides having the opportunity of accessing better-quality goods and services, they would be paying prices that truly reflected the scarcity value of those goods and services, as well as the balance between the cost of production and marketing. Rent seeking would thus be a thing of the past.

The developing countries were identified as deriving significant benefits. Of particular importance for them were the perceived benefits from the increasing capital inflows, the transfer of technical know-how, and the possibilities of installing modern technology in their production structures. In the absence of quotas and tariff restrictions, they were expected to enter the global market on merit and, with increased production, to enjoy economies of scale.

It was also argued that moving in these directions would contribute to better regulation, good corporate governance, participation, transparency, and accountability, as well as consumer sovereignty. These were, thus, the major considerations leading unto the Marrakech Agreement of April 1994, the subsequent birth of the World Trade Organization in January 1995, and in the years since, the ongoing process of opening up economies, free trade regimes, and globalization.

The virtues of the private sector, it is important to point out, in initiating and sustaining growth were trumpeted. Increasingly, it was argued that the role of the State should remain confined to being a provider of enabling environments, including the level playing field, the law and order, and, maybe, the social development; and the rest of the activities would be left to the private sector. Hence, it was argued, the State should withdraw from economic and commercial activities, having no role in these areas.

2. The Phenomenon Overlooked

These hopes and expectations, however, were not based on the objective assessment of realities on the ground. The mismatch between countries and regions in terms of the size of their economies, financial markets, and financial institutions was not adequately addressed. The stock market capitalizations, for instance, of the United States (US) at over US$15 trillion, the European Union at about $9 trillion, and Japan at about $5 trillion were not considered to merit attention in terms of their comparisons with those prevailing even in the emerging markets of Asia. A 1-percent asset allocation in the US stock market, for instance, standing at $150 billion, is by itself considerably more than the entire stock market capitalization of many of the emerging economies, except for the Republic of Korea and Malaysia. And the fact that a relocation of a 1-percent allocation of this size can create sizeable ripples in any of the emerging markets did not receive any significant consideration. No wonder, the daily currency trading of over $1.5 trillion in the mid-1990s did not receive any attention in terms of the vulnerabilities it was creating in many of the trading countries (UNDP, 1999).

The drive to open up economies also did not pay heed to the giants in the global markets—the multinational corporations (MNCs)—and their manipulative strength. The market capitalization of Microsoft (estimated at $500 billion), General Electric ($360 billion), and Intel ($230 billion), for instance (IHT, 2000), not to mention many other MNCs, received no consideration. The fact that the top telecommunications MNCs, which controlled 86 percent of the $262 billion global market, and pesticide firms (86 percent of the $31 billion market) left no room for new entrants elicited no attention.

The same thing proved true for the ICT revolution. Who are the users and the beneficiaries? Few bothered to estimate how many out of the 140 million Internet users in 1998 (estimated to reach 700 million in 2001 [UNDP, 1999]), would be from the developing countries. Few pondered whether the ICT revolution might simply lead to yet another divide: the digital divide.

Thus, the realities on the ground had demanded standards, regulations, and good corporate governance. Attention also should have been paid to making available more information on the nature and direction of capital flows. More information was needed about the borrowers, lenders, and investors. Reform of the global financial architecture was needed.

There was also a simultaneous need to ensure the fundamental principles and rights at work as enshrined in the International Labour Organisation (ILO) Declaration of 1998. Essentially, it demanded a functioning trade unionism and bipartism and tripartism. The might of the MNCs as well as the vulnerabilities and even indifference of governments could only be addressed by the representative unions.

3. The Outcome

That this optimism would be so short-lived none had visualized. The East and Southeast Asian financial, and subsequent economic and social, crises of the late 1990s unfolded the true nature of free-market and unregulated economies. Massive currency devaluation, the nose-diving of stock market prices, and the dramatic change in the nature of capital flows shifted the whole spectrum. The region witnessed bankruptcies and enterprise closures to an extent unknown earlier, with the consequent retrenchments, layoffs, and redundancies. Tens of millions of workers, as a consequence, lost their jobs and were confronted with a massive decline in their living and working conditions.[1]

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[1] For details on the nature and extent of the crisis, see ICFTU-APRO (1998a, 1998b, 2000a, and 2000b).

The social consequences of the Asian meltdown remain a matter of serious concern. Tens of millions who lost jobs due to the crisis are still out of work, and many of them have no social security cover. The children of a significant proportion of the workers made unemployed are still out of school, many even active in the labor market. The women continue to be the worst sufferers of the crisis.[2]

The situation in the countries not directly affected by the crisis, incidentally, is not dissimilar either. Opening up the economies in a large number of Asian and Pacific countries soon resulted in the crumbling of a significant proportion of the indigenous industrial and service sector. Further, at the behest of the erstwhile aid providers, particularly the twin Bretton Woods institutions, the International Monetary Fund (IMF) and the World Bank (WB), many countries underwent stabilization and structural adjustment programs (SAPs), which have as their major components the divestiture of state-owned enterprises, downsizing, dismantling tariff and nontariff barriers, and containment.[3]

a. Increasing Casualization and Informalization of Jobs

The speed and sequencing of structural adjustment, and the transformations taking place in the industrial and service sectors in the Asian and Pacific region, as well as in other parts of the globe, have a bearing on the employability of workers; their working conditions; and their proper development, training, and retraining. Human resource development and utilization, in the context of globalization, free trade regimes, and the Asian crisis has emerged as the most crucial variable in enhancing the employability of the work force. The rapid technological changes and greater use of information technology in work places are also throwing open challenges to the work force and workers' employability. The MNCs and even the national employers, in their drive to remain competitive and reap additional benefits out of the free trade regime, are increasingly focusing on the core businesss, outsourcing and contracting out the rest of the work.

Workers are waking up to a whole new world: a world where the demand for skills and the availability of job opportunities are shifting. The nature and form of work are constantly changing, with the introduction of new business practices and new organizational structures; the application of new technologies; and the design, production and delivery of new products and services. Already, work is being redefined: from permanent to flexible employment, from stationary to distance work, etc. In this scheme of things, traditional jobs and unskilled and semiskilled labor are particularly under threat. Workers with only enterprise- and task-specific skills are also at risk.

Thus, the casualization and informalization of jobs are fast emerging as the new labor market realities, not only in the developing countries but also in industrialized economies. And this phenomenon has raised concerns and heightened interest. Labor market flexibility is the buzzword of governments' economic, trade, and employment policies, amply suiting employers' never-ceasing desire to maximize profits, no matter how they accrue. The governments and employers seldom realize that the growth of irregular forms of employment—the informal sector—and the increasingly vulnerable employment and income erosion in the formal sector are essentially putting the whole development process at stake.

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2 For details on the consequences and impact of the crisis, see ICFTU-APRO (1998c, 1999, and 2000a).

3 A detailed account is available in ICFTU-APRO (2000b).

b. The Phenomenon of the Digital Divide

The process of globalization has added yet another kind of divide—the digital—between and within countries. Numbers of workers are increasingly found glued to their electronic gadgets within their homes and are doing a host of jobs. "Tele-work" is emerging as yet another form of employment having both positive and negative implications. The so-called new economy, the growing number of Internet users and the like, are largely found in the industrialized countries. A large number of the developing countries are as yet far from being integrated into this digital form of globalization.

ICT, which both drives and is driven by globalization, is heightening the inequality that has always divided the world between those who have control of and access to economic resources and those who have not. Yet another manifestation of this relates to the "learning divide" that separates those who are already qualified and get more opportunities to learn and those who have less education and even fewer opportunities to learn.

4. Responding to the Challenges

a. General

Globalization, despite the recent bitter experience, can be humane. It can be beneficial and helpful in ensuring decent work. It can also help in mainstreaming the "have-nots." This is, however, contingent upon the observation of international standards and full respect for workers' rights. It is only unions that can ensure this process of humanizing globalization, duly ensuring that the jobs are meaningful, productive, and improve the living standards of workers across the globe.

The privatization of state-owned enterprises is not a panacea for the ills confronting public-sector enterprises. In case privatization is deemed necessary, it should be ensured that

- A proper valuation of assets has been done;
- There is a balance between disposing of profit-making and loss-making units;
- The process of privatization is transparent;
- The new owners are genuine entrepreneurs and are neither crony capitalists nor real-estate developers;
- The proceeds of privatization are used for debt retirement and social development; and
- The size of the work force and the conditions of work in the privatized units remain unchanged and are altered only through collective bargaining.

Looking at the fallout from abrupt capital movements, proposals that countries impose controls on capital flows as their legitimate right for protecting their economy, currency, and people merit due consideration. In this connection, the condition that foreign capital should remain in a country for a minimum of two years needs to be duly considered. Since crises may once again occur in the future, the need may arise for suitable arrangements for the provision of necessary liquidity; such provision should be made. The earlier experience of full reliance on the IMF was catastrophic for the crisis-hit countries in Asia; hence the need for a regional funding agency, working in cooperation with the international financial institutions (IFIs), especially the

IMF, is clearly warranted. This new regional agency needs to serve two purposes: in addition to tackling the liquidity issues, it would also address the phased establishment of SSNs in the Asian and Pacific region. The proposal of the International Confederation of Free Trade Unions—Asia Pacific Regional Office for the establishment of a "dual-purpose" Asian Partnership Fund should have the adequate attention of regional policymakers.[4]

The social priorities will have to be increasingly integrated into the processes of economic recovery and SAPs. The impact of such policies on social development should be adequately assessed. Social dialogue, especially with the natural partners, namely the representatives of workers and employers, should precede any reform process. Macroeconomic policy needs to be fine-tuned with employment generation, poverty eradication, and human resource development policies, duly articulating the role of social institutions and fundamental rights at work.

In fact, the proper development and effective utilization of woman/manpower, as manifested in the provision of readily available decent work to all adults who are able and willing to work, should be an integral part of any macro and sectoral policy.

b. Specific

The humanization of globalization and the policies of the IFIs, whereby the whole process is made employment-augmenting and labor-friendly, would require affirmative steps in many directions.

First, the social priorities will have to be increasingly integrated into program design and implementation. This can be adequately attended to by a full reliance on social dialogue, and including the representatives of the workers—the trade unions—in policymaking, program design, and the monitoring of implementation. The emphasis on growth maximization should be modified by employment maximization and social justice. This requires a vigorous pursuit of an active labor market policy, which implies an adequate focus on ensuring the employability of the workforce through training, retraining, labor market monitoring, employment counseling, vocational guidance, and, if need be, by resorting to direct employment creation programs.

The social dimensions of development also demand the phased evolution of SSNs. The process, in the first instance, should focus on retirement benefits, unemployment allowances, retrenchment benefits, health care, and education and training provisions for workers and their children. Decent work should be considered an important component of any social policy. Functioning trade unions in the work place and bipartism and tripartism will be an absolute must in ensuring the social dimensions of development.

Second, international financial markets must be regulated. The ongoing efforts to reform the international financial architecture should result in a functioning mechanism that provides transparency, greater information, and better regulation and enforcement of banking and financial standards. An important component will be to reform the IFIs by making them more transparent and participatory. Further, the IFIs, at their country-level offices and operations, should visibly integrate the

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[4] For details on the Asian Partnership Fund, see ICFTU-APRO (1999).

representatives of workers and employers, including trade unions, in their program/project cycles. And at IFI head offices, there is a need to establish trade union advisory committees.

Third, trade unions need to be effectively integrated into the structures of regional economic groupings of countries, such as: Asian Pacific Economic Cooperation (APEC) forum, the Asia Europe Meeting, the Association of South East Asian Nations, the South Asian Association for Regional Cooperation, and the like. And where a business group has been provided a place, the same should be done for workers' representatives. In the case of APEC, for example, trade unions are increasingly exerting pressure for a status similar to the one given to the business group through the APEC Business Advisory Council.

Fourth, there should be a development clause in the World Trade Organization organizing documents providing protection to the production structures in developing countries. This would, however, have to be accompanied by a faster growth of domestic markets and greater efficiency in the use of factors of production.

Last, there should be a social clause. It should be integrated in the international trade and investment agreements. This would ensure

- higher education and training levels and competence of workers;
- sound industrial relations;
- full respect for the internationally recognized Core Labor Standards; and
- good governance.

This would forestall any blackmailing of workers by employers. It would also act as a deterrent to some firms' efforts to move out and go to other countries. Further, it would ensure sustainable development, enhance workers' income, and improve living conditions.

5. Concluding Remarks

The process of globalization is on trial. Years of negotiating rounds culminating in the signing of the Marrakech agreement and the consequent birth of the World Trade Organization, heralded a new era in terms of global prosperity and he welfare of the people. But all has gone wrong. The events that unfolded in the second half of the 1990s have clearly demonstrated that financial and economic liberalization without the building and strengthening of institutions and mechanisms to monitor and ensure fair practices can play havoc.

The losses from globalization substantially outweigh the gains. Indeed, the process of globalization grossly lacks employment considerations, as has been clearly demonstrated by the Asian crisis and the situation in a large number of countries. The ongoing process of massive restructuring, mergers, and acquisitions, especially by MNCs, and their consequent downsizing, have led to deteriorating employment, working, and living conditions across the globe. In the developing world, the number of enterprise closures and sick industries has multiplied during the past few years. Such practices, and the very process of globalization itself, have added tens of millions to the already unemployed, and at least three times the number of these newly unemployed have been added to the numbers of the world's poor.[5] The labor movement never visualized such an outcome of the process of globalization.

[5] For details, see ILO (1999).

The experience in the region has clearly demonstrated that privatization per se is not a panacea for public-sector ills. Further, provision of public goods and services cannot be left to the whims of free market forces, all the more so in developing countries. Hence, governments cannot be absolved of the responsibilitiy of providing basic health services, the basic amenities of life, elementary education, and social safety nets.

The challenges confronting us today, in the wake of globalization and the rise of free-market economies, demand concrete steps in the direction of

- Strengthening financial market supervision and regulation,
- Improving infrastructure reforms,
- Instituting transparency and market discipline,
- Evolving effective regulatory mechanisms,
- Introducing uniform international accounting standards,
- Reforming parliamentary democracy and civil service, and
- Promoting good practices in the area of governance, including bipartism and tripartism.

These are also critical to the success of economic and public-sector reforms. Thus, the trade union movement—national, regional and global—will have to take up these matters more often, and on a priority basis.

Trade unions can no longer leave matters that are crucial to the working and living conditions of workers, and that also have an impact on future generations, to the whims of a faceless free-market economy, bureaucracy, national and international funding institutions, and the politicians. Hence, they must increasingly exert their influence on the very processes of policy and decision making. Engagements with policymakers and IFIs on economic and social policies, fiscal and monetary issues, and SAPs should appear high on their agenda. This is a prerequisite for humanizing globalization.

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