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Globalization and Labor Market Challenges:

The Role of Trade Unions

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I. The Beginning – The Hope

The fundamental economic right is no else than the availability of a decent work to all the able and willing to work adults. This visualizes a productive employment, an employment that is contributing to the value addition. Further, this employment is not only decent but it coexists with certain level of social safety nets (SSNs) to the working population, and a functioning bi- and tri-partism. We thought that this right and the accompanied benefits would be more accessible if we open up economies, and pursue globalisation and free trade regime. The discussion on the international trade and investment starting in the 80s under the auspices of Uruguay Rounds and lasting unto mid-90s clearly had the understanding that the inward-looking policies have miserably failed to address social development. Such a policy had also led to a situation where global economy has increasingly shown its inabilities to offer productive employment opportunities to the work force. Thus, it was advocated rather vigorously that by this course – the opening up, we would be able to ensure a decent work.

WE in the trade union movement had also expected that the process of globalization and free trade regime would lead into significant improvement in the working and living conditions of workers across the globe by way of sharing gains equitably and promoting social development. Further, the workers would be able to enjoy the old age benefits and pensions, health facilities, childcare and maternity leave, training and retraining facilities, unemployment allowance and retrenchment allowance. There will also be provisions to provide support to the by-passed and marginalized segments of the population especially in the form of social assistance. We had also in mind that additionally this process would lead to mainstream the 1.2 billion afflicted with poverty.

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

The factor market distortions, the outcome of an inward policy regime having also the characteristics of selectivity; licensing and even discrimination, leading to the sub-optimal use and even wastage of scarce resources of countries and more so of the developing will cease to exist.

This will 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 by its hot pursuit. It was indicated as the harbinger of value addition, quality and efficiency. Thus, leading into the optimal and effective utilization of the resources, both human and material, of the globe.

Corruption and lack of good corporate governance, the traits considered to be synonymous with the inward looking policy regimes but bringing 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, regulations and standards crucially needed for attaining a sustainable and beneficial pattern of socio-economic development.

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

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

It was also argued that moving in these directions would contribute towards better regulations, good corporate governance, participation, transparency, and accountability as well as consumer sovereignty. These were, thus the major considerations leading unto the Marrakech Agreement in April 1994 and the subsequent birth of the World Trade Organisation (WTO) in January 1995. And since then the ongoing process of opening of economies, free trade regime and globalisation.

The virtues of the private sector, it is important to point out, in initiating and sustaining the growth were trumpeted. Increasingly, it was argued that the role of the state should remain confined to provider of the enabling environments including the level playing fields, ensuring law and order, and, may be, the social development, and rest of the activities be left to the private sector. Hence,

should withdraw from the economic and commercial activities. The state, it had been argued, has no role in these areas.

II. The Phenomenon Overlooked

These hopes and expectations, however, were not based on the objective assessment of ground realities. The mismatch between countries and regions in terms of the size of economies, financial markets and financial institutions was not found adequately addressed. The stock market capitalization, for instance, of the USA, EU and Japan respectively at over US\$ 15 Trillion, about \$ 9 Trillion and about \$ 5 Trillion were not considered as meriting attention in terms of their comparisons with those prevailing even in the emerging markets of Asia. One percent asset allocation in the US stock market, for instance, standing at \$150 billion alone is well over stock market capitalization of many of the emerging economies except Korea and Malaysia. And this relocation can create sizeable ripples in any of the emerging market did not receive any significant consideration. No wonder, the daily currency trading of over \$1.5 trillion did not receive any attention in terms of the vulnerabilities it is confronting many recipient countries [HDR (1999)].

The drive to open up economies also did not pay heed to the giants in the global markets and the manipulating strength of the multinational corporations (MNCs). The market capitalization of the Micro Soft, GE and Intel, for instance, estimated to be respectively at \$500 billion, \$360 billion and \$230 billion [IHT (2000)] received no consideration. This was also true for many other MNCs. The top telecommunication and pesticides MNCs respectively controlling 86% of the \$262 billion and \$31 billion global market [HDR (1999)], thus leaving no room for the new entrants found no attention.

It is also true for the ICT revolution. Who are the users and the beneficiaries? Few thought that out of the 140 Million Internet users in 1998, which are estimated to be reaching 700 Million in 2001 [HDR (1999)], how many are from the developing countries. Whether, the ICT revolution is not leading to yet another divide – the digital divide, few pondered.

Thus, the ground realities had demanded standards, regulations and good corporate governance. It also needed attention on making available greater information on nature and direction of capital flows. Greater information was needed on the borrowers, lenders and the investors. Reform was needed for the global financial architecture.

There was also a simultaneous need to ensure the fundamental principles and rights at work as enshrined by the ILO Declaration of 1998. Essentially, it demanded a functioning trade unionism and bi- & tri-partism. The might of the MNCs as well as the vulnerabilities and even indifference of Governments can only be addressed by the representative unions.

III. The Outcome

This optimism, however, will be so short-lived none had visualized. The East and South East Asian financial, and subsequent economic and social crises unfolded the true nature of free market and unregulated economy. Massive currency devaluation, nose-diving of stock market prices and dramatic change in the nature of capital flows changed the whole spectrum. The region witnessed bankruptcies and enterprise closures to the extent unknown earlier with the consequent retrenchments, lay offs 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 conditions¹.

The social consequences of the Asian meltdown continue to remain a matter of serious concerns. Tens of millions losing jobs due to the crisis are still out of the work. And many of them have no social security cover. Children of a significant proportion of the workers made unemployed are still out of schools, many even active in the labour market. The women continue to be the worst sufferer of the crisis².

The situation in the countries not directly affected by the crisis, incidentally, is not dissimilar either. Opening up of the economies in a large number of Asian and Pacific countries soon found crumbling of a significant proportion of the indigenous industrial and service sector. Further, on the behest of the erstwhile donors particularly the twin Brettonwoods' institutions, the International Monetary Fund (IMF) and the World Bank (WB), many countries underwent stabilization and structural adjustment programs (SASPs). The SASPs have the divestiture of state owned enterprises, downsizing, dismantling tariff and non-tariff barriers, and containment as the major components³.

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

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

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

A. Increasing Casualization and Informalization of Jobs

The speed and sequencing of structural adjustment, and transformations taking place in the industrial and service sectors in the Asian Pacific region as well as in other parts of the globe have a bearing on the employability, working conditions, and proper development, training and retraining of the workers. The human resource development and Utilisation (HRDU) in the context of globalization, free trade regime and the Asian crisis has emerged as the most crucial variable in enhancing employability of the workforce. The rapid technological changes and greater use of information technology at the work places are additionally throwing open challenges to the work force and their employability. The multinational corporations (MNCs) and even the national employers in their pursuit to remain competitive and even reap additional benefits out of the free trade regime are increasingly found focusing on the core business, rest out-sourcing and contracting out.

Workers are waking up to a whole new world. This is a world where the demand for skills and the availability of job opportunities are shifting. This is a world where 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, under threat particularly are: traditional jobs, and unskilled and semi-skilled labor. Those with only enterprise- and task-specific skills are also at risk.

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

B. The Phenomenon of Digital-Divide

The process of globalization has added yet another kind of divide – the digital, between and within countries. A set of the 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, as indicated in the preceding section, are largely found in the industrialized countries. Hence, a large number of developing countries are as yet far off from being integrated.

The information and communication technology (ICT), both driving and 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 “learning divide” that separates those who are already qualified and get more opportunities to learn and those who have less education and even less opportunities to learn.

IV. Responding to the Challenges

A. General

The globalization, despite the recent bitter experience, can be humane. It can be beneficial and helpful in ensuring a decent work. It can also facilitate in mainstreaming the “have-nots”. This is, however, contingent upon observation of international standards and fully respecting workers’ rights. It is only unions, which can ensure this process of humanizing globalization duly ensuring that the jobs are meaningful, productive and improving the living standards of the workers across the globe.

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

- (i) countries have done proper valuation of assets;
- (ii) there is a balance between disposing of profit and loss-making units;
- (iii) the process of privatization is transparent;
- (iv) new owners are genuine entrepreneurs and are neither crony capitalists nor the real estate developers;
- (v) proceeds of privatization are used for debt retirement and social development; and
- (vi) conditions of work and size of employment of the privatized units remain unchanged and is altered only through collective bargaining.

Looking at the fall out of capital movement, the proposal of the imposition of control on capital flows by countries as their legitimate right for protecting their economy, currency and people merit due consideration. In this connection, the condition of staying of foreign capital for a minimum of two years needs to be duly considered.

Considering the fact that the crisis may occur in future as well, there is a need to make suitable arrangements for the provision of necessary liquidity should there arise a need. The earlier experience with a full reliance on the IMF has been catastrophic for the crisis-hit countries in Asia. Hence, the need for a regional funding agency, working in cooperation with IFIs especially the IMF, is clearly warranted. This new regional agency needs to cater the dual purpose. It will, besides tackling the liquidity issues, address the establishment of the SSN in a phased manner in the Asian Pacific region. The proposal of ICFTU-APRO for the establishment of "dual-purpose" Asian Partnership Fund (APF) should draw adequate attention of the policy makers of the region⁴.

4. For details on the APF, see ICFTU-APRO (1999).

The social priorities will have to be increasingly integrated in the emphasis on economic recovery and SASPs. The impact of policies on social development should be adequately assessed. The reform process should precede social dialogue, and more so with the natural partners, namely the representatives of workers and employers. The macro-economic 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, proper development and effective utilization of woman/manpower as manifested in the form of a readily available decent work to all the able and willing to work adults should be an integral part of any macro and sectoral policy.

B. Specific

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

Firstly, the social priorities will have to be increasingly integrated in any program designing and implementation. This can be adequately attended to by a full reliance on the "social dialogue" and inviting representatives of the workers, the trade unions, for policy making, and program designing and monitoring its implementation. The emphasis on growth maximization should be fine-blended with employment maximization and social justice. This requires a vigorous pursuit of the active labor market policy (ALMP). Which implies an adequate focus on employability of the workforce to be ensured through training, retraining, labor market monitoring, employment counseling, vocational guidance, and if the need be, by resorting to direct employment creation programs.

The social dimensions of development also demand evolving, in a phased manner, the social safety nets (SSNs). The process, in the first instance, should focus on retirement benefits, unemployment allowance, retrenchment benefits, health care, and education and training provisions for workers and their children. A decent work should be considered an important component of any social policy. A functioning trade unionism at the work place, and bi- and tri-partism will be an absolute must in ensuring social dimension of development.

Secondly, regulate the international financial markets. The on-going efforts on reforming the international financial architecture should result in a functioning mechanism in terms of transparency,

greater information, better regulations 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 representatives of the civil society including trade unions in their program/project cycles. And at their head offices, there is a need to establish trade unions advisory committees to the IFIs.

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

Fourthly, there should be a development clause in the WTO whereby providing protection to the production structures in developing countries. This would, however, have to be coincided with a faster growth of domestic market and bringing efficiency in the use of factors of production.

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

- (i) raising the education and training level, and competence of workers;
- (ii) sound industrial relations;
- (iii) full respect to the internationally recognized Core Labor Standards; and
- (iv) good governance.

This would forestall any blackmailing of workers by the employers. It will also act as deterrence in their efforts to move out and go to other countries. Further, it will ensure sustainable development, enhance workers' income and improve living conditions.

V. 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 (WTO), heralded as bringing a new era in terms of global prosperity and welfare of the people - all has gone wrong. The events as folded in the second half of the 1990's have clearly demonstrated that the

financial and economic liberalization without building and strengthening institutions and mechanisms to monitor and ensure fair practices could play havoc.

The losses of globalization substantially outweigh the gains. Indeed, the process of globalization grossly lacks employment considerations. This has been clearly demonstrated by the Asian crisis and the situation in a large number of countries. The on-going process of massive restructuring, mergers and acquisitions, especially by the MNCs, and the 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 couple of years. Such practices and the very process of globalization, have added tens of millions to the already unemployed, and at least three times of these newly unemployed have been an addition to the global poor⁵. The labor movement has never visualized such an outcome of the process of globalization.

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

The challenges confronting us today in the wake of globalization and free market economy demand concrete steps in the direction of: 1) strengthening financial market supervision and regulation, 2) improving infrastructure reforms, 3) transparency and market discipline, 4) evolving effective regulatory mechanism, 5) introducing uniform international accounting standards, 6) reforming parliamentary democracy and civil service, and 7) promoting good practices in the area of governance including bi- and tri-partism. 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 increasingly and on priority basis.

The trade unions can no longer leave matters so crucial to the working and living conditions of workers, and having an impact also on the future generations at the whims of a faceless free market economy, the bureaucracy, national and of IFIs, and the politicians? Hence, they have to increasingly exert their influence on the very process of policy and decision-making. Thus, the

5. For details, see the ILO World Employment Report, ILO (1999).

engagements with policy makers and also IFIs on economic and social areas, fiscal and monetary issues, and SASPs should appear high on their agenda – this is a pre-requisite for humanizing globalization.

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