

DECENT WORK AND FAIR GLOBALIZATION: A GUIDE TO POLICY DIALOGUE

Overview

The recent world economic and financial crisis has dramatically increased the credibility of UN, civil society and other voices calling for a major overhaul in current approaches to global economic governance and the current development model. An essential anchor to leverage such change is the 2005 commitment of all Heads of State and Government to strongly support a “**fair globalization**” and to make “**full and productive employment and decent work for all**” a central policy objective in all relevant national and international policies—which has since been translated as a new target under Millennium Development Goal (MDG) 1. This is a truly significant step because there has not been a meaningful policy focus on employment in over three decades and it represents the missing link between growth and poverty reduction.

The policy implications of reintegrating full productive employment on the global economic and development agenda have not yet been fully explored. The NGLS publication, *Decent Work and Fair Globalization: A Guide to Policy Dialogue*, maps out what the ramifications of this commitment mean in terms of better holding economic governance institutions (whether finance ministries, central banks or international economic and development bodies) accountable to full and decent employment goals. It also aims to help strengthen the advocacy of civil society organizations campaigning for greater economic and social justice by providing tools for more informed policy dialogue on how to align macroeconomic, trade and financial policies with these new objectives.

Main findings:

Global economic governance reform and a new development paradigm are needed

The imbalances and deflationary bias caused by the current **neoliberal** model of economic globalization has led to massive regressions in the progressive realization of the human right to **decent work**. The current approach of deep global economic integration and liberalization as a path to full employment has failed.

A basic “social protection floor” is needed

Growing socioeconomic insecurity associated with trade and financial liberalization makes it essential to achieve a quantum leap toward establishing a basic “**social protection floor**” under the global economy. This floor should be capable of preventing people from falling into destitution and help them climb up the socio-economic ladder.

Some developing countries could achieve such a floor with internal shifts in resources, but many others will need external assistance to kick-start meaningful basic social protection systems.

A decent work-centered recovery strategy is needed

During the global economic crisis, most of the major economies responded by engaging in unprecedented interventions in the economy, debunking the widespread notion that markets will correct themselves. However, these stimulus and other measures to limit the damage of the global recession have not sufficiently focused on employment and social protection. Worse, many countries facing difficulties in their public finances are told to first take measures to reassure international investors, even at the expense of deepening their recessions and losing more jobs. This prevailing approach actually delays economic recovery and unnecessarily lengthens the time lag between economic recovery and employment recovery to pre-crisis levels.

Successful economic development requires more equitable shares of income between wages and profits (between labour and capital)

One of the underlying causes of the global economic crisis was the longstanding problems with high unemployment, growing income inequality, and an increasing growth of informal employment correlated with the working poor. These trends had the perverse economic effect of taking money away from people who would spend to keep the economy going, thus contributing to a deficiency in “**global aggregate demand**.” A major challenge is how to reverse the worldwide tendency of stagnant or declining wages and low consumer demand—and how to better ensure that the benefits of growth are more equitably shared with workers.

There are alternative macroeconomic policies for increasing employment and greater economic stability

The notion of “**policy space**” suggests that countries in different economic contexts should be allowed to experiment with a diverse mix of policies and tools. Therefore, the guide calls for the use of a broad set of “**Keynesian**” or “**heterodox**” macroeconomic policy options focused on expanding employment and developing productive capacities and allowing such policies to be tailored to each country’s situation. Examples of such policies include capital controls and prudential regulations (**capital management techniques**) that can limit the havoc caused by the rapid inflows or outflows of capital across borders, penalize irresponsible risk-taking and reward long-term investments in productive employment.

An alternative policy approach suggests that *central banks must begin playing a much more pro-active role* in controlling “**profit inflation**” on financial markets (not just consumer price inflation), while also taking steps to promote full employment by making “**employment targeting**” in macroeconomic policy part of their core monetary policy objectives.

An employment-centered “localization” agenda: Building productive capacities for decent jobs

An alternative approach to the mainstream “global integration” development model refocuses attention to increasing employment by expanding and building the existing domestic productive capacities in developing countries, particularly where they are focused on producing for the domestic market where the majority of people (and the poor) work. Major investments to support smallholder agriculture are essential, not only for food security, but also to revive local demand for locally-produced goods and create a “**virtuous cycle**” of poverty reduction. This means an overhaul of loan conditions and donor aid packages that have been overly-focused on increasing primary commodity exports and instead “localizing” employment creation by *focusing on domestic enterprises producing for domestic markets* as well as for export.

Should workers and local enterprises adjust to trade liberalization, or should trade agreements be adjusted to support full employment?

Under the current development model, “**trade liberalization**” has become an end in itself. The impact of trade liberalization on employment in the last few decades has in many cases been devastating for workers and lost jobs, diminished wages and bargaining power, and for nascent domestic industries that have been wiped out by premature exposure to international competition. Major changes are needed to the international trading system in order to support the goal of full and productive employment. Such changes include ensuring as far as possible that trade policies do not undermine local employment in sectors that are not yet in a position to compete internationally. It is not sufficient to only focus on developing social protection systems as a means to cushion the job losses that often result from trade liberalization. It is equally important for developing countries to have

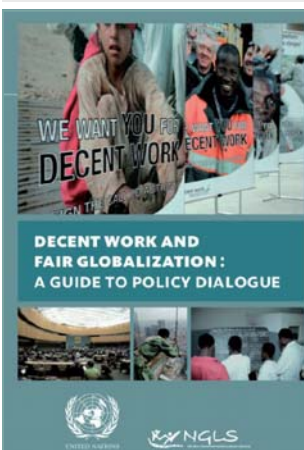
greater “**policy space**” in setting future international trade agreements (and renegotiating existing ones), especially in the areas of agriculture, industrial tariffs, regulation of financial services and the use of capital management techniques.

There is a need to reform the global economic architecture and strengthen international cooperation

The guide identifies a series of major deficiencies in the current global economic system, including: the need to strengthen **international tax cooperation** (to prevent a competitive “race to the bottom” in tax revenue) and **stopping capital flight**; the need to explore the benefits of possible **new global and regional reserve systems** to lessen the serious asymmetries and trade imbalances in the global economy between trade deficit and surplus nations (a “*deflationary bias*” which means that there presently cannot be full employment in all countries at the same time), and the possible uses of new international currencies (such as Special Drawing Rights) for development finance purposes; the need to lessen the volatility and job losses caused by volatile exchange rate fluctuations, often triggered by the “herd behaviour” of currency speculators, by developing **international exchange rate agreements**; and the need to create a fair and equitable **sovereign debt workout mechanism** to enforce arbitrated agreements between debtor nations and their creditors, so as to minimize debt crises-driven mass unemployment.

These types of systemic reforms would go a long way toward creating more global economic stability and higher and more pro-poor growth and in correcting global imbalances and asymmetries that are at the root of many causes of unemployment worldwide. Such reforms would give countries the greater policy space needed to pursue a **genuine full employment policy** that is not at the expense of other countries, but is mutually beneficial to all.

The decent work and fair globalization agenda can therefore help articulate a broad range of UN and civil society concerns into a coherent platform for change. This guide is intended to help demystify economic debates and outline concrete alternatives to the prevailing doctrines of the last three decades, and to help connect campaigns on complex international economic issues with national political processes that invariably gravitate around people’s primary concerns about jobs and livelihoods.



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