

2. GLOBALIZATION AND EMPLOYMENT: A BROAD PERSPECTIVE

The recent phase of economic globalization, starting in earnest some two or three decades ago, has been characterized by rapid liberalization and expansion of trade and capital flows and a growing spread of global production networks, in conjunction with a major information and communication technology (ICT) revolution. The 2004 World Commission on the Social Dimension of Globalization highlighted the benefits that globalization could bring, if wisely managed, in terms of growing connectivity, exchange and productive capacity. But it also warned that in its current form, globalization had dramatically exacerbated existing problems of inequality within and between nations, generating a pervasive sense of insecurity and social fragmentation, and increasing the exposure of national economies to systemic risks and external economic shocks (ILO 2004a).

GROWING SOCIO-ECONOMIC INSECURITY AND LOW EMPLOYMENT-INTENSITY OF GROWTH

The global integration of labour markets in this context has been unprecedented in recent history. The total number of workers producing for international markets in goods alone more than doubled between 1980 and 2000 - from 300 million to 800 million (Akyüz 2006). Labour market turbulence provoked by trade liberalization, technological change, global production shifts and increased financial instability have aggravated insecurity among workers and enterprises in developed and developing countries alike. One immediate priority is to make a quantum leap in progress towards establishing a global “**social protection floor**.” This will be addressed in the next chapter.

Besides growing socioeconomic insecurity, the deeper problem is that the global economy has been far from producing enough decent employment for all those willing and able to work. This applies especially for the fast growing number of young people entering the global workforce. The “*employment-intensity of growth*” has been weak - a tendency often referred to as “**jobless growth**.” In 2004, for example, a year of robust global growth at 4 percent, the rate of global job growth was only at 1.7 percent. This was reflected at the national level, where in the United States for example, growth was at 4.4 percent, but job growth was only at 1.3 percent.¹⁶ Moreover, official unemployment figures vastly underestimate the problem, leaving out not only those who have given up looking for work but also involuntarily working part-time, or working for a poverty wage in the informal economy. In the great majority of developing countries, the formal economy (where official

¹⁶. Source: ILO. This is reflected in average global growth between 1996-2006 at 4.1 percent per annum, in comparison to 1.6 percent employment growth over the same period, which meant that global unemployment stagnated at 6.2 - 6.3 percent, barely keeping up with the growth of the global workforce (ILO 2008a).

unemployment statistics exist) accounts for less than half of employment, and in large regions such as in Africa, for less than 10 percent (Jenkins, Rodgers and Lee 2007). The rest of people in the workforce are employed or self-employed in the informal economy, typically without legal protections and rights, and with earnings below the poverty line.

One perspective on the problem is that global economic integration is serving more to redistribute investment and jobs among countries than to accelerate job creation. Until the 2008 crisis hit, international trade and capital flows were growing much faster than global income and the world economy was allocating a smaller proportion of its income to fixed capital formation needed to generate more and better jobs. A growing share of income was directed at unproductive purposes, including speculation, regulatory arbitrage and financial services intermediation (UNCTAD 1997; Akyüz 2006; DESA 2008; ILO 2009c).

THE “GLOBAL” AT THE EXPENSE OF THE “LOCAL”

Another way to look at the problem is a tendency of the prevailing policy framework to favour “the global” – the global movement of goods and capital – at the expense of “the local”: policies aimed at nurturing and revitalizing local economies and societies, creating jobs where most people would like to stay if given a chance.

This was a core message of the 2004 World Commission on Social Dimension of Globalization. In presenting the Commission’s report to the United Nations Economic and Social Council in June 2004, Juan Somavia emphasized: “*there can be no successful globalization without a successful localization.*” For example, when one refers to a “favourable investment climate” in international policy circles, the bias in favour of the global is so ingrained that it is usually understood as an enabling framework for foreign direct investment (FDI). Under the right conditions, foreign investments can bring important benefits such as know-how and technology transfer. However, these kinds of investments are not where the volume of work is being created. It is the myriad domestic small- and medium-sized enterprises, micro-enterprises, cooperatives and self-employment schemes which generate the bulk of employment worldwide. These must be supported and enabled to flourish, but may also require different enabling investment frameworks than those favouring foreign investors. In some cases, the two may even be at odds, for instance when particular foreign investments end up “crowding out” small domestic producers unable to compete at a given point in time (see Chapter 5).

PUTTING THE CART BEFORE THE HORSE ?

According to former UNCTAD chief macroeconomist Yilmaz Akyüz, at the heart of this problem is a major shortcoming in current approaches to international economic integration. Rather than aiming at full employment and expansion of productive capacities as a basis for increasing international trade and investment, the policy focus has emphasized liberalization and deep global economic integration as the way to deal with high unemployment and inadequate productive investment (Akyüz 2006). Many critiques of the current model have described this approach as “putting the cart before the horse” (for example emphasizing unilateral trade liberalization as the engine of productive growth, rather than productive investments as the main drivers of trade expansion).

The prevailing model stands in sharp contrast to the approach adopted by the architects of the post-World War II economic system which saw full employment, expansion of production and consumer demand as a necessary condition for closer economic integration.¹⁷ This alternative approach to the current one is widely seen to have produced what many economists call the “Golden Age of Capitalism” (*les “trentes glorieuses”*) – which up till the mid-1970s was characterized by low levels of unemployment, steadily improving living conditions in the industrial economies and parts of the developing world as it was gaining independence, the strengthening of the welfare State; and active public interventions designed to favour a virtuous pattern of growth whereby average real wages tended to rise in line with productivity growth (UNCTAD 1995; DESA 2008). This “*decent work link*” has been progressively lost since the 1980s.

The global economic crisis has generated much discussion on the need to find a better balance between domestic demand-led and export-led growth. This implies a shift in development strategies that should be aimed at boosting domestic productive capacities for local and regional markets while generating a steady rise in wages and incomes through productive employment generation (see Chapter 5). ILO research confirms that wage-led consumption growth has accounted for around two-thirds of overall growth in most regions of the world for most years in the past quarter century (ILO 2008a).¹⁸

There are many policy challenges involved in this change of course. Before we turn to the national and international measures needed to reduce job insecurity and expand productive employment opportunities, let us first focus on the need to place a social floor under the global economy. A “social protection floor,” building on the existing body of human rights norms, would be an important step to upgrade current approaches to meet the MDGs, especially in view of the major setbacks caused by the global economic, food and climate crises.

17. For instance, the 1948 Havana Charter, which could have laid the foundation for an international trading system that would have integrated full employment and special conditions of developing countries, stated: “*The Members recognize that the avoidance of unemployment or underemployment, through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of production and effective demand for goods and services, is not of domestic concern alone, but is also a necessary condition for the achievement of... the expansion of international trade, and thus for the wellbeing of all other countries*”(Chapter 2, Article II of the Charter). The Charter, which would have established the International Trade Organization (ITO), was never adopted primarily because of opposition by the US Congress, but it did capture the prevailing approach of the time (Drache 1997).

18. See also the results of the UNCTAD Public Symposium on “the global economic crisis and development – the way forward” in *NGLS Roundup 137*, September 2009, http://www.un-ngls.org/IMG/pdf_RU_137_PLACED12-2.pdf.

