

DECENT WORK AND FAIR GLOBALIZATION: A GUIDE TO POLICY DIALOGUE



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“A fair globalization requires greater convergence of economic and social policies around the goal of decent and productive work for all. New policy thinking and strong advocacy are critical.

“This NGLS guide is extremely timely. It challenges much of the conventional thinking that guided policy making over the past three decades and which the crisis has shown to be profoundly flawed. Furthermore, it collects a broad set of proposals for alternative approaches to macroeconomic, financial, trade and employment and social protection policies that place the drive for decent work at their heart.

“As such it is a unique resource for civil society organizations, social movements and all those who campaign for economic and social justice.”

Juan Somavia, Director-General of the International Labour Organization (ILO)

“In the last few years, there has been an increasing level of support for policy coherence to achieve a fair globalization, full and productive employment and decent work for all. To get global consensus on these core objectives has been a major achievement. But implementing the policy implications that derive from these commitments would require nothing short of a major overhaul in the way economic policies have been formulated in the last two or three decades. The global economic crisis provides an opportunity for a dramatic change of course, but in the face of pressures for a return to ‘business as usual’ we need to broaden political support around this alternative agenda.

“This NGLS guide to policy dialogue provides many thought-provoking suggestions for alternative economic strategies at national and international levels to realign macro-economic, financial and trade policies so as to meet the imperatives of full and decent employment. I strongly recommend that all interested in the decent work agenda find the time to read and consider its proposals.”

Guy Ryder, General Secretary of the International Trade Union Confederation (ITUC)

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preface

In 2005, Heads of State and Government gathered in New York at the UN World Summit and agreed to strongly support a fair globalization and make full and productive employment and decent work for all a central objective of national and international policies, including poverty reduction strategies, as part of ongoing efforts to achieve the Millennium Development Goals (MDGs).

This decision represented a major paradigm shift in the global economic and development discourse as it was the first time governments formally acknowledged the importance of full and productive employment for people to get out of the cycle of poverty and as a means to achieving equitable, inclusive and sustainable development. A new target on decent work was added under MDG 1 and since then, the United Nations has worked to mainstream the decent work agenda in its programmes and activities in an effort to turn the 2005 political commitment into concrete policy changes supportive of workers' rights, job creation, social dialogue and social protection.

Yet, as the 2008-2009 global financial and economic crisis painfully reminded us, the realization of decent work remains a distant dream for millions of people in the world. In an analysis of the impact of the global recession, the *World of Work Report 2009* of the International Labour Organization projected that unless adequate measures are adopted, more than 40 million people could drop out of the labour market in 2010. Other ILO studies estimate that some 200 million workers, mostly in developing economies, could be pushed into extreme poverty.

This guide from the United Nations Non-Governmental Liaison Service (NGLS) aims to broaden understanding of the concept of decent work and demystify the complex linkages that exist between macroeconomic, trade and financial policies and the creation of decent jobs. It builds on the findings of the 2002-2004 World Commission on the Social Dimension of Globalization, which stressed the need to bring coherence between macroeconomic, trade and financial policies on the one hand and development and social goals on the other.

It is hoped that this guide will help the emerging decent work movement to engage more effectively with the economics discourse in order to better articulate the human right to decent work into specific economic policies. Global well being and human progress require a fair globalization that reinforces both economic development and social justice at the international, national and community levels. This guide provides some innovative means to get there.

Elisa Peter
Acting Coordinator
United Nations Non-Governmental Liaison Service (UN-NGLS)
May 2010

executive summary

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 economic governance. 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.¹

The policy implications of reintegrating full productive employment on the global economic and development agenda have not yet been fully explored. This NGLS guide to policy dialogue aims to map out what the ramifications of this commitment mean in terms of better holding economic governance institutions (whether finance ministries, central banks or international economic 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 :

- The current model of economic globalization is morally unacceptable and politically unsustainable. Its imbalances and deflationary bias cause 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.
- 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.
- The global economic crisis has necessitated unprecedented interventions in the economy – even among governments elected on a free market platform. However, 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 take measures to reassure international investors at the expense of deepening the recession. This is delaying recovery and unnecessarily increasing the time lag between economic recovery and employment recovery to pre-crisis levels – which themselves were already far too low to meet legitimate aspirations of a growing working age population.

1. Paragraph 47 of the 2005 UN World Summit Outcome Document.

- One of the underlying causes of the global economic crisis was the “crisis before the crisis,” a “global decent work deficit” expressed in terms of 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.” This was compensated for a while by debt-driven consumer spending in the United States, but which ended abruptly with the collapse of the US sub-prime mortgage market. A major challenge is how to reverse the worldwide tendency of stagnant or declining wages – how to better share the benefits of growth, for example by closer aligning wage growth with productivity growth.
- To change course, a broad panoply of “Keynesian” or “heterodox” macroeconomic policy options tailored to each country situation is called for. These include capital controls and prudential regulations (capital management techniques) that can limit the havoc caused by the free flow of capital across borders, penalize irresponsible risk-taking and reward long-term investments in productive employment. Central banks must begin playing a much more active role in controlling “profit inflation” on financial markets (not just consumer price inflation), while promoting full employment as part of their core monetary policy objectives. “Employment targeting” in macroeconomic policy-making is one practical way forward.
- A new development paradigm focused on building productive capacities in a way that expands productive employment in developing countries (especially low-income countries) is necessary to make any significant progress in reducing poverty. It means an overhaul of conditionalities and aid packages informed by a wrong development model which has created lop-sided patterns of growth that have been neither inclusive nor employment-intensive. It means a greater focus on local sources of demand as an incentive for more domestic productive investments which in turn create more productive jobs. This can happen if development strategies focus not only on supporting dynamic sectors with export potential, but also small enterprises producing for the local 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.
- The controversial debate on trade and labour standards has to an extent diverted attention from another key dimension of the trade and labour nexus: the impact of trade liberalization on employment. The international trading system needs to make important changes to be consistent with the goal of full and productive employment. It means 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 also means that it is not sufficient to focus on the need to have effective social protection systems in place as a means to cushion the socio-economic dislocations of a trade agenda that continues to treat liberalization as an end in itself. It implies a new approach to “policy space” for developing countries in international trade rules, especially in the areas of agriculture and industrial tariffs. Trade agreements that impede adequate regulation of financial services and the use of capital management techniques must also be reviewed.

- Systemic reforms to free up resources to support full employment and social protection are needed in the areas of international taxation (such as an international financial transaction tax); international tax cooperation (to reverse a “race to the bottom” in progressive fiscal revenue); and the international debt architecture. The global economic crisis has also brought to the fore a major limitation of the post-World War II international financial architecture: the incompatibility of the current global reserve system with financial stability and global full employment. Among the most inequitable and economically counter-productive characteristics of the current economic system is the conventional approach to the “balance-of-payments constraint” that places the burden of global adjustments on trade deficit countries with weaker currencies. Proposals for new global and regional reserve systems discussed at the United Nations and elsewhere are essential steps towards correcting global imbalances and asymmetries that are at the root of many causes of unemployment worldwide. It would give countries 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. It can help connect campaigns on complex international economic issues with national political processes that invariably gravitate around people’s primary concerns about jobs and livelihoods. It helps to demystify economic debates and outlines concrete alternatives to the prevailing doctrines of the last three decades.

acronyms

| | |
|---------|---|
| ASYCUDA | Automated System for Customs Data |
| BIG | Basic Income Grant |
| BWIs | Bretton Woods institutions |
| CEB | Chief Executives Board for Coordination |
| CEPR | Centre for Economic Policy Research |
| DAC | Development Assistance Committee of the OECD |
| DCF | Development Cooperation Forum |
| DESA | UN Department of Economic and Social Affairs |
| ECB | European Central Bank |
| ECOSOC | Economic and Social Council |
| ELCRN | Evangelical Lutheran Church in the Republic of Namibia |
| EPZs | export processing zones |
| Eurodad | European Network on Debt and Development |
| EWI | Employing Workers Indicator |
| FAO | Food and Agriculture Organization of the United Nations |
| FDI | foreign direct investment |
| FES | Friedrich Ebert Stiftung |
| FTT | Financial Transaction Tax |
| G-20 | Group of Twenty |
| G-33 | Group of Thirty-three developing countries |
| GATS | General Agreement on Trade in Services |
| GDP | Gross Domestic Product |
| ICT | Information and Communication Technology |
| ICTSD | International Centre on Trade and Sustainable Development |
| IILS | International Institute for Labour Studies |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| ITUC | International Trade Union Confederation |
| LDCs | Least Developed Countries |
| MDGs | Millennium Development Goals |
| NAIRU | Non-Accelerating Inflation Rate of Unemployment |
| NAMA | Non-Agricultural Market Access |
| NAMTAX | Namibian Tax Consortium |
| NGLS | UN Non-Governmental Liaison Service |
| NGO | Non-governmental Organization |
| NREG | National Rural Employment Guarantee |
| ODA | official development assistance |
| OECD | Organisation for Economic Co-operation and Development |
| PRSPs | Poverty Reduction Strategy Papers |
| SAPs | Structural Adjustment Programmes |
| SCM | Subsidies and Countervailing Measures |
| SDRs | Special Drawing Rights |
| SCRER | Stable and Competitive Real Exchange Rate Policy |
| SMEs | Small and Medium-sized Enterprises |

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|--------|--|
| SSM | Special Safeguard Mechanism |
| TRIMs | Agreement on Trade-Related Investment Measures |
| TRIPs | Trade-Related Aspects of Intellectual Property Rights |
| TWN | Third World Network |
| UNAIDS | United Nations Joint Programme on HIV/AIDS |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDAF | United Nations Development Assistance Framework |
| UNDF | United Nations Development Forum |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| UNIDO | United Nations Industrial Development Organization |
| UNHCR | United Nations High Commissioner for Refugees |
| UNRISD | United Nations Research Institute for Social Development |
| WHO | World Health Organization |
| WTO | World Trade Organization |