Globalization has added a powerful new dimension to the link between development and the four dimensions of decent work—basic labour rights and standards, employment, socioeconomic security, and social dialogue. Pre-globalization, the mainstream view was that successful development would clearly imply progress on the two economic dimensions of decent work, namely employment and socioeconomic security. This would happen through the employment growth that is generated by a high and sustained rate of economic growth and the increased economic security and poverty-reduction that would occur as a result of steadily expanding opportunities for productive employment. Underlying this view was the two-sector growth model which saw development in terms of the steady expansion of the high-productivity modern sector and the concomitant shrinking of the low-productivity rural and informal sectors. This sectoral shift constituted the basic driving force for the expansion of the proportion of the labour force in ‘good jobs’. This in itself constituted an improvement in the average quality of employment. This process would then be intensified once the ‘turning point’ of the exhaustion of surplus labour was passed since real wages in the modern sector would then begin to rise. Both these effects of the sectoral shift were also seen as having a positive impact on labour standards in the sense of the quality of employment as well as socioeconomic security. Improvements in the latter would occur not only through the impact of fuller employment but also through the increasing proportion of the labour force that would enjoy the benefits of the mandatory social security that accompanies modern sector jobs. Yet further improvements in these two dimensions of decent work would also occur through improvements in the level and coverage of protective labour legislation and social security that rising living standards would permit.

This pre-globalization model was relatively silent on effects of development on the other two dimensions of Decent Work, that is, basic labour rights (as opposed to labour standards in the sense of wages and working conditions) and social dialogue. There was no presumption that sustained economic growth would necessarily lead to greater democracy, fuller respect for basic labour rights or a stronger commitment to social dialogue. These issues were largely peripheral to the development discourse of the time. Indeed, there was a strand of thinking, represented notably by the proponents of ‘Asian values’, that saw a conflict between democracy and economic growth.

With globalization, some of the assumptions underlying the above view of the relationship between development and decent work have changed quite radically. A basic factor has been that a large majority of the developing economies have not been able to benefit from trade liberalization and growth of global capital flows. The share of just 13 developing economies (Argentina, Brazil, China, Hong Kong (China), India, Indonesia, Republic of Korea,
Malaysia, Mexico, the Philippines, Singapore, Taiwan (China) and Thailand) in world manufactured exports, for example, increased from 9 per cent in 1980 to 22 per cent in 1996, while the share of all other developing countries stayed constant at 3 per cent. The same 13 economies also accounted for 82 per cent of FDI flows into developing countries in 1995. This concentration of industrial growth in a few economies has left most developing countries, notably in Africa, dependent on export of primary commodities whose importance in global trade has been declining. It is important to recognize, however, that the inability of these economies to benefit from trade liberalization is explained fundamentally by the low level of development of their infrastructure - both physical (transport and communication networks, electricity) and social (education, health, legal framework, financial markets, labour market institutions) - which severely constrains growth of manufacturing industries. This means that efforts to reduce global inequalities would need to concentrate on improving physical and social infrastructure in the least developed economies. Measures to improve their market access, by themselves, can achieve very little.

Another factor has been that, even for those countries that have been able to integrate into the global economy, the emergence of intensified competition among countries for export markets and foreign direct investment has raised new problems for the attainment of decent work for all. With respect to employment, this has meant less certainty, at least in the short and medium-term, that strong growth in modern sector employment would occur with the increased opening up of the economy to trade and FDI flows. One reason for this is the job losses that would occur in previously protected economic activities. Another is that economic liberalization is typically accompanied by measures such as privatization of state enterprises and the downsizing of civil service employment, both of which aggravate the job loss problem. For example, in Latin America in almost all public enterprises that were privatized a proportion of the labour force was made redundant, thus increasing unemployment in the first instance. Some of these redundant workers have not been able to find a secure and stable job and experienced a downward social mobility. Others, however, have transformed themselves in entrepreneurs, creating their own enterprises that are functionally linked with the large enterprise in which they were formerly employed. Thus, the decrease in employment of the newly privatized enterprise is achieved in part by outsourcing some functions, maybe even essential ones, and it subcontracts with smaller firms to fulfil these roles. In many cases the conditions of income and employment have deteriorated as a result of this outsourcing. Precarious jobs abound in different sectors and countries where subcontracting is becoming a common feature of the labour market. In these cases, temporary jobs, lack of social security coverage, absence of unions, collective bargaining and training mechanisms may well be the norm, even though they may go together with higher salaries. With respect to public employment, this has decreased in practically all Latin American countries. On average, as a proportion of the economically active population, public employment decreased from 16% at the beginning of the 80’s to 13% at the end of the 90s, i.e., a fall of almost 20%. In some instances, redundant civil servants have been eligible to receive compensation payments, with which they have been able to start their own business B usually as independent contractors or as microentrepreneurs. In these cases security and employment conditions may have decreased. In other cases, these redundancies have clearly produced a downward social mobility, impoverishment and loss of status, especially in the case of civil servants who were not professionals and whose status was not based on their educational attainment but on the occupational position they held in the labour market.

Yet another factor constraining employment growth is the increased pressure to adopt new production technologies and forms of work organization that in many cases are less employment-intensive or at least demand less unskilled labour. This again limits employment growth. In sum, the presumption that a high rate of economic growth will be accompanied by a steady net increase in modern sector employment is less likely to be valid in the current era of globalization. Some countries that have enjoyed prolonged periods of high growth, such as those in pre-crisis East Asia, have also achieved impressive growth in modern sector employment, but for most developing countries growth has not been significantly higher than
in the pre-globalization era and modern sector employment has either stagnated or grown only moderately.

The fact that the growth of modern sector employment has become more problematic also has direct implications for another dimension of decent work, that is, socioeconomic security. Firstly, the basic economic security provided by steadily expanding opportunities for productive employment is now attenuated. Secondly, there have been additional forces unleashed by globalization that have tended to directly reduce employment security. The adjustment of the structure of production to greater openness and competition has resulted in greater turbulence in labour markets. Even in situations where there is a net increase in employment creation as a result of globalization, workers have to change jobs more frequently in line with the adjustments in the structure of production. This often implies traumatic personal adjustments such as spells of unemployment that are not cushioned by unemployment benefits, attempting to acquire new skills and jobs without adjustment assistance, or having to settle for inferior jobs in the informal sector. In addition, the same competitive pressures that have led to a downsizing of employment have, at the same time, also induced enterprises to seek greater flexibility and lower labour costs. This has been sought through means such as the increasing recourse to precarious employment contracts (temporary contracts, subcontracting to self-employed workers, part-time work) instead of stable long-term employment relationships. This has meant less employment security for workers as well as a loss or reduction of the social protection that accompanied the standard employment contract. All these changes have not only reduced security for those directly affected but have also had the spillover effect of spreading generalised anxiety and insecurity.

Over and above these pressures from globalization that are undermining socioeconomic security is the increased risk of succumbing to macroeconomic crises. Financial globalization has been accompanied by the increasing frequency and severity of financial crises that have triggered off severe macroeconomic contractions in the affected countries. The Asian crisis of 1997 to 1999 was the most recent and severe of these and had widespread contagion effects that hit Russia, Brazil, and some other Latin American countries particularly severely. These financial crises have had severe social costs in terms of rising unemployment and poverty. In the Asian countries that were worst affected by the recent crisis, decades of social progress in achieving full employment and poverty reduction has been severely set back. As such the increased vulnerability to economic crisis is a powerful new factor in reducing socioeconomic security, especially in countries that have undergone substantial financial liberalization.

There are also some grounds for believing that globalization has unleashed forces that have had an adverse effect on basic labour rights and standards. One possible channel through which some believe this is occurring is a ‘race to the bottom’ with respect to labour standards. On this view, countries competing for foreign investment could be involved in a competitive devaluation of labour standards in seeking to outbid one another in offering the inducement of a cheap, docile and non-unionised labour force. Similarly, the search for competitive advantage in export markets has led some countries to embark on labour market deregulation and cut-backs in social protection in the search for lower wages and non-wage labour costs as well as greater labour flexibility. This process has been facilitated by the erosion that has occurred in the underlying bargaining strength of labour due to the increasing mobility of capital. As a result of a combination of lower policy barriers to capital mobility and technological developments that have expanded the scope for, and reduced the costs of, cross-border production, investors have gained the upper hand through threatening to use, or actually exercising, the exit option. Other changes in the global production system that will be discussed in the next section have also added further stress on conditions of employment.

The above developments also impinge negatively on the prospects for worker participation and social dialogue. Competitive pressures to restrict basic labour rights such as freedom of association and the right to bargain collectively weaken the enabling conditions for the growth of free and independent trade unions and employer organizations. At the same time the weakening of the bargaining position of labour that was referred to earlier, diminishes the
prospects of a successful resistance to these developments. Moreover, the free market fundamentalism of some participants in the current process of globalization is inherently hostile to collective action through worker participation and social dialogue. These actors have a much stronger faith in the ‘low road’ of cost-minimization than in the possibilities for harnessing the productivity-enhancing potential of the ‘high road’ of worker participation and social dialogue. 

These problems are compounded by two other trends that affect the prospects for achieving decent work for all. These are the rise in wage and income inequality and the diminution of the regulatory and redistributive role of the state. The rise in inequality that has accompanied globalization has been driven by the diverging fortunes of those well-endowed with skills and assets and those less so. The reduced demand for unskilled labour in industrialized countries makes the goal of decent work in the sense of an adequately remunerated job more difficult to achieve. The problem of the ‘working poor’ is aggravated. One worrying trend related to growing inequality between the skilled and the unskilled has been in the area of international migration. The flow of labour from developing countries, especially of technical and professional workers, has intensified during the last two decades in spite of the growth of trade and relocation of labour-intensive manufacturing to developing countries. The long-term effects of this for developing countries is likely to be negative.

In addition, there is growing evidence that a high level of income inequality has a negative impact on economic growth. This in turn reduces employment growth, making decent work for all more difficult to attain. It is also likely that increasing divergence in the fortunes of the skilled and unskilled will make it more difficult to organize the collective action, based on a commonality of interests, that is necessary to make social dialogue a reality.

At the same time the diminution of the regulatory and redistributive role of the state means that less and less is being done to counteract this growing inequality and the negative effects it has on the prospects for achieving decent work for all. A similar observation applies with respect to the possibilities for counteracting the increased socioeconomic insecurity and deterioration of labour rights and working conditions that has been occurring in the wake of globalization.