

INTRODUCTION

This double issue, combining the first two instalments of Volume 141 (2002) of the *Review*, highlights the significance of two key components of decent work: employment and labour standards in the context of globalization.

The opening article, by *Joseph Stiglitz*, the winner of the 2001 Nobel Prize in Economics, stresses the importance of employment in the Decent Work Agenda: an unemployed worker is unhappier than one who has the same level of income, but who works for it, simply because unemployment affects the individual's sense of self. This idea is central to the ILO's goal of promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity (an aspect elaborated upon later in this issue of the *Review* in *Philippe Egger's perspective* on the formulation of a decent work policy framework). It also suggests that labour market security may deserve priority over other sources of socio-economic security.¹ Yet the mathematics of the neoclassical production function, Stiglitz argues, treats labour like any other commodity and therefore ignores the human nature of labour. Such commodification of labour risks being exacerbated by the process of unfettered globalization, compounded by worldwide decline in trade union membership and the weakening of organized labour.²

The article counters the proponents of labour market flexibility – who argue for lower wages and less worker protection – with the claim that this would cause the level of unemployment to rise. Moreover, such arguments may mask a hidden agenda of destroying the progress

¹ For an elaboration on the components of socio-economic security, see Guy Standing: *Beyond the new paternalism*, London/New York, NY, Verso, 2002.

² See Christopher Candland and Rudra Sil: *The politics of labour in a global age: Continuity and change in late-industrializing and post-socialist economies*, New York, NY, Oxford University Press, 2001.

achieved on workers' rights over years of bargaining and political activism. Recent empirical work cited by the author also undermines the arguments for labour market flexibility.³

Finally, Stiglitz appeals to the international community to fight for decent work, full employment and better working conditions through the preparation by labour market specialists of labour impact assessments prior to the adoption of the structural adjustment programmes recommended to countries in economic distress. Against this background, the author's membership of the World Commission on the Social Dimension of Globalization set up by the ILO will no doubt contribute substantially to analysis of these issues in the context of the impact of globalization on employment and decent work.

International trade and foreign direct investment (FDI) are considered the engines of globalization. The relationship between these two key dimensions of globalization and labour standards has taken on special significance since the adoption of the 1998 ILO Declaration on Fundamental Principles and Rights at Work, which binds all 175 member States of the ILO to respect, promote and realize the principles contained in core labour standards.⁴

The second article in this issue of the *Review*, by *David Kucera*, examines the relationship between FDI flows and core labour standards. A recent article in the *Review* has already established that there is no convincing theoretical or empirical basis for the belief that the growth of trade between industrialized and developing countries has led to a deterioration of employment and wage levels (used as a proxy for labour standards) in either group of countries.⁵ In this article, however, Kucera skilfully constructs multiple quantitative measures of three important labour standards covering freedom of association and the right to collective bargaining (seven measures), discrimination in respect of employment and occupation (five measures of sex inequality) and child labour (five measures), which strengthen the credibility of the statistical results of his comprehensive examination of the relationship between FDI and core labour standards. The overall conclusion does not support the hypothesis that foreign investors favour countries with lower labour standards.

³ A recent issue of the *Review* furnished convincing cross-country statistical evidence on the contribution of a minimum wage policy to poverty alleviation without any significant negative impact on the level of employment. See Catherine Saget: "Poverty reduction and decent work in developing countries: Do minimum wages help?", in *International Labour Review* (Geneva), Vol. 140 (2001), No. 3, pp. 237-269.

⁴ The ILO Conventions corresponding to the core labour standards relate to (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation.

⁵ Ajit K. Ghose: "Trade liberalization, employment and global inequality", in *International Labour Review* (Geneva), Vol. 139 (2000), No. 3, pp. 281-305.

This finding is hardly surprising, given that FDI inflows are closely linked to governance issues. For instance, based on data from both industrialized and developing countries, a negative relationship has been noted between perceived corruption and FDI inflows.⁶ Furthermore, cross-country evidence also shows that corruption not only reduces FDI inflows but also distorts the composition of capital inflows from FDI towards foreign bank loans, thereby increasing the vulnerability of corruption-prone countries to currency crises.⁷ Conversely, an analysis of FDI inflows into 36 developing countries during the period 1984-94 revealed that the level of human capital is one of the most important determinants of FDI inflows, with its importance increasing over time.⁸

The above findings are important: the terrorist attacks against the United States on 11 September 2001 do not seem to have had any significant effect on FDI flows or on the fundamental forces driving FDI flows.⁹ Furthermore, a steady increase in FDI flows to developing countries has been noted since the tragic events of 11 September. Significantly, the choice of the top two projected destinations of FDI flows over the next five years (2002-2006) – i.e. the United States and the United Kingdom – is largely determined by factors identified in Kucera's article, like market size, growth potential, skills base and a business-friendly regulatory and tax environment.¹⁰

The question posed by *Vincenzo Spiezia* in the title of the third article – “The greying population: A wasted human capital or just a social liability?” – echoes today's growing awareness that the world needs to begin considering its older citizens less as a burden and more as a resource to be tapped for the benefit of all. The article by Spiezia furnishes empirical evidence that destroys a number of myths about the linkages between population ageing (an explosive global phenomenon) and the labour market. *Firstly*, in a recent issue of the *Review*, Nobel Laureate Amartya Sen urged an empirical testing of the naive assumption that the young must forego jobs if older people keep on working. Comparing the United States' large workforce and low unemployment with the smaller national workforces of several European countries experiencing higher unemployment rates, Sen argued that the absolute

⁶ *The Economist* (London): “Special report: Bribery and business”, 2 March 2002.

⁷ Shang-jin Wei: *Local corruption and global capital flows*, Brookings Papers on Economic Activity, No. 2, Washington, DC, The Brookings Institution, 2000.

⁸ Farhad Noorbaksh, Alberto Paloni and Ali Youssef: “Human capital and FDI inflows to developing countries: New evidence”, in *World Development* (Oxford), Vol. 29 (2001), No. 9, pp. 1593-1610.

⁹ Ed Crooks: “Three countries to retain FDI lead”, in *Financial Times* (London), 14 March 2002.

¹⁰ *ibid.*

size of the working population does not, in itself, cause more unemployment.¹¹ Similarly, the results of Spiezia's simulation exercise (2000-2050) for six major industrialized countries do not support the view that higher labour force participation by the elderly is detrimental to employment opportunities for younger workers. On the contrary, the evidence he furnishes suggests that higher participation and an increase in the supply of elderly workers will have a beneficial effect on total employment. He argues that a higher participation rate of the elderly would increase total employment by fostering competition in the labour market and by inducing firms to adopt more labour-intensive techniques of production. This finding strengthens the conclusion of the recent Second World Assembly on Ageing (Madrid, 8-12 April 2002) that the continued employment of older workers need not reduce labour market opportunities for younger persons.

Secondly, ageing is often considered counter-developmental on the uncritical assumption that old people save less, which, in turn reduces capital accumulation and investment, ultimately slowing down productivity growth. Spiezia finds no clear-cut evidence of ageing having a negative effect on savings or of elderly workers being systematically less productive than young ones.

Thirdly, the results of Spiezia's simulation exercise for six major industrialized countries do not support the hypothesis of the need for lengthening working life and increasing old-age participation in order to ensure the financial sustainability of pension and health-care systems.

Fourthly, the article questions the tendency not to direct training programmes towards elderly workers because of higher perceived returns from training younger people. The International Plan of Action on Ageing: 2002, adopted by the Second World Assembly on Ageing, incorporates several of the suggestions on labour market policy presented by the ILO in Madrid.¹² For instance, the Madrid Plan of Action recommends the promotion of policies enabling older workers to continue to work as long as they want and as long as they are able to do so productively. For this purpose, action is needed to provide them with access to information and communication technologies, lifelong learning, continuous on-the-job training and flexible retirement arrangements.

The article by Spiezia proposes specific labour market policies whereby workers' careers would be managed over their whole working life progressively to move them laterally – through special training

¹¹ Amartya Sen: "Work and rights", in *International Labour Review* (Geneva), Vol. 139 (2000), No. 2, pp. 119-128.

¹² ILO: *An inclusive society for an ageing population: The employment and social protection challenge* (paper contributed by the ILO to the Second World Assembly on Ageing, Madrid, 8-12 April 2002), Geneva, 2002.

tailored to their needs – into novel and challenging jobs, basically from “age-impaired work” to “age-enhanced work”.

The next article, entitled “The challenge of decent work”, is based on an address given by its author, *Robert B. Reich*, at a time when the entire world was in the grips of a global economic slowdown which now appears to have been short-lived. Just as Joseph Stiglitz in the opening article of this issue argues for mandatory labour impact assessments on structural adjustment programmes, Reich advocates an assessment of the employment and labour market implications of domestic economic stimulus programmes implemented by national fiscal and monetary authorities to tackle the economic slowdown. Reich also shares Stiglitz’s concern over the adverse consequences of labour market flexibility for decent work (wages and job security) and the misguided tendency to blame trade liberalization for job losses and worsening income inequality.¹³

The last article, by *Yuko Aoyama and Manuel Castells*, makes an interesting follow-up to a couple of articles that appeared in recent issues of the *Review*. Firstly, an article in the last issue of the *Review* standardized ILO statistics on pay and occupations to make them comparable across the world for the purpose of cross-country analysis.¹⁴ This article traces trends in employment and occupational structures in G-7 countries over much of the twentieth century, taking into account the effects of recent growth in the use of information technology in the context of globalization. Secondly, this article broadens the empirical basis of the analysis on the quantitative impact of ICT use on employment which was the subject of an article in the special issue of the *Review* on the digital divide, the empirical coverage of which was limited to European countries.¹⁵ Aoyama and Castells examine employment trends by sector over an 80-year period (1920-2000) drawing on time-series data to gauge the socio-economic impact of information-processing employment – including on work arrangements (e.g. part-time, self-employment and temporary employment) – in the G-7 countries. This paper also confirms the findings of the evaluation of the impact of ICT on job quality in another article which appeared in the above-mentioned special issue of the *Review*.¹⁶

The *perspective* in this issue of the *Review*, by *Philippe Egger*, critically evaluates and synthesizes the ideas and suggestions that emerged from a brainstorming session on decent work at the ILO Staff

¹³ For empirical evidence, see Ghose, op. cit.

¹⁴ Richard B. Freeman and Remco H. Oostendorp: “The Occupational Wages around the World data file”, in *International Labour Review* (Geneva), Vol. 140 (2001), No. 4, pp. 379-401.

¹⁵ Luc Soete: “ICTs, knowledge work and employment: The challenges to Europe”, in *International Labour Review* (Geneva), Vol. 140 (2001), No. 2, pp. 143-163.

¹⁶ Jill Rubery and Damian Grimshaw: “ICTs and employment: The problem of job quality”, in *International Labour Review* (Geneva), Vol. 140 (2001), No. 2, pp. 165-192.

Conference held at the International Training Centre in Turin, Italy, at the end of 2001. As the *perspective* demonstrates, the debate on decent work has moved on from the conceptual stage to the formulation of an integrated policy framework – the need for which is made clear by the articles in this issue of the *Review*. Egger concludes with a set of recommendations touching on the different dimensions of decent work for more comprehensive follow-up by the ILO. Of particular significance among these are proposals for the establishment of quantitative and qualitative indicators of decent work to monitor change over time and among countries (the ILO's newly established Statistical Development and Analysis Unit has been mandated accordingly) and for securing greater policy integration (the Policy Integration Department having been specially created at the ILO for this purpose). Overall, the *perspective* attempts to demonstrate how the decent work approach can revive hopes of promoting social justice in an era of rapid globalization, which has been rather narrowly characterized by its harshest critics as a form of global capitalism whose aim is the plundering of the world's resources and the exploitation of its poor inhabitants for the benefit of a privileged few.

A rich and diverse mix of themes are covered by the works presented in the *Books* section of this issue of the *Review*. Just as Egger's *perspective* – and the article by Stiglitz – stress the priority importance of enhancing labour market security, the opening review here is devoted to a book that elaborates on the need to attach importance to policies promoting other forms of security covering nutrition, health, education, employment, income and gender in developing countries, drawing on the experiences of various programmes targeting vulnerable groups in India. Despite some analytical and empirical limitations in dealing with these aspects of security in a balanced manner, the book comprehensively captures the current debate on this issue in India.

Of the eight books presented in the *Recent books* section, the first – on changing labour markets, welfare policies and citizenship – cautions the advocates of labour market flexibility on its possible adverse impact on decent work and social protection, drawing on the varied experiences of European welfare states. The second book, a “dictionary” of employment and human resources, provides a broad snapshot of work and its social organization. The third attempts to produce a systematic explanation for the creation and distribution of income and wealth, based on empirical evidence from the United States, the United Kingdom and Japan. The fourth book provides fascinating insights to the interactions between class, caste and gender in the state of Kerala (India), which is often applauded for its progressiveness and distributive justice. The fifth consists of nine case studies of successful innovative strategies that NGOs and development institu-

tions have applied to integrate gender equity in their programmes and institutional structures in Africa. The sixth book is the final volume in a three-part series entitled *Voices of the Poor*, produced by the World Bank, which provides a moving, but sobering message directly from 60,000 poor inhabitants based on participatory research covering ten developing countries and four transition-economy countries. The seventh book clarifies the concept of corporate social responsibility through a concrete process of social dialogue in the Netherlands; and the last book analyses the relationship between gender, development and money in order to examine empirically whether women's income genuinely contributes to their empowerment.

The *New ILO publications* section first presents a number of reports on, and for, the International Labour Conference, including the Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work (*A future without child labour*) and *Learning and training for work in the knowledge society*. Other ILO publications presented in this section include guides on reducing the adverse impact of worker displacement and on the promotion of grass-roots mutual health insurance schemes in Africa; codes of conduct in relation to multinational enterprises; reports for discussion at tripartite meetings on civil aviation and on industrial relations in the oil and gas industries; and books on: care work, integration of the informal sector with the modern economy of Latin America, labour law reforms in Latin America during the 1990s, *Organized labour in the 21st century*, health and safety risks to children at work, vocational training for decent work in Latin America and the Caribbean, the labour-related provisions of Latin American economic and political integration treaties and *Action against sexual harassment at work in Asia and the Pacific*. Finally, this section introduces a major reference work on a global approach to international labour standards produced on the occasion of the 75th anniversary of the ILO's Committee of Experts on the Application of Conventions and Recommendations.