

INTRODUCTION

The World Commission on the Social Dimension of Globalization, which represents internationally diverse interest groups and intellectual persuasions, is the first official body established at the world-level by the International Labour Organization to examine the social impact of market-driven globalization and to formulate a common agenda to make it work for all.¹ This special issue of the *International Labour Review* will, it is hoped, help to stimulate the “urgent rethink” of current policies and institutions of global governance recommended by the World Commission.

The very concept of globalization is still subject to numerous interpretations and strong disagreements. Yet the report of the World Commission leaves little doubt that globalization – as a combination of freer trade, technological progress, growth of cross-border production systems and increased capital mobility, information flows and communication – has resulted in the interdependence of national economies and societies, intensifying international economic competition and the homogenization of culture to the extent that the social impact of domestic policies on other parts of the world can no longer be ignored.² Furthermore, though extra wealth is indeed being created by globalization, the report deplores that too many countries and too many people are not sharing in its benefits.

While recognizing that the process of globalization is irreversible, the Commission’s report rejects the view that its adverse social impact is inevitable, because it is the result of policy decisions made at the national and international levels. In retrospect, several of the articles recently published in the *Review* have indeed provided ample empirical justification for the report’s appeal to make “decent work for all” a

¹ See ILO: *A fair globalization: Creating opportunities for all*, Report of the World Commission on the Social Dimension of Globalization, Geneva, 2004.

² Broadly speaking, the social dimension of globalization refers to the impact of globalization on the life and work of people, on their families and on their societies.

global goal in the context of the unstoppable phenomenon of globalization. For instance, no evidence has been found to support the hypothesis that foreign investors favour countries with lower labour standards.³ Similarly unfounded, either theoretically or empirically, is 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) or had an adverse impact on poverty.⁴ On the contrary, the empirical evidence suggests, first, that conditions of work and employment improve with economic growth and trade liberalization and, second, that countries with low labour standards do not necessarily enjoy superior export performance or attract more FDI.⁵ Lastly, the adoption of the goal of “decent work for all” in the global agenda is made all the more appealing by the empirical finding that the pursuit of decent work can indeed contribute both to human development and to economic growth.⁶

Against this background, the aim of this special issue of the *Review* – based on a selection of the technical background papers prepared in support of the World Commission’s work – is to provide in-depth theoretical and empirical analysis of a set of critical issues touched upon by the Commission’s report. Specifically, the six articles in this special issue examine the changing structure of world trade and its theoretical and policy implications, and the effects of globalization from the perspectives of informal employment, gender-specific patterns of inclusion/exclusion, perceptions of social inequality, and the concept of inclusive development and its relationship to decent work. While the issue logically opens with an article which reviews the large body of literature on globalization, the last article – the only one not drawn from the background papers prepared for the World Commission – provides a legal perspective on the relationship between decent work and globalization.

The opening article, by *Bernhard G. Gunter* and *Rolph van der Hoeven*, is a fascinating review of hundreds of articles and books. It

³ See David Kucera: “Core labour standards and foreign direct investment”, in *International Labour Review* (Geneva), Vol. 141 (2002), No. 1-2, pp. 31-69; and Matthias Busse and Sebastian Braun: “Trade and investment effects of forced labour: An empirical assessment”, in *International Labour Review* (Geneva), Vol. 142 (2003), No. 1, pp. 49-71.

⁴ See Ajit Ghose: “Trade liberalization, employment and global inequality”, in *International Labour Review* (Geneva), Vol. 139 (2000), No. 3, pp. 281-305; and L. Alan Winters, Neil McCulloch and Andrew McKay: “Trade liberalization and poverty: The evidence so far”, in *Journal of Economic Literature* (Nashville, TN), Vol. 42 (2004), No. 1 (Mar.), pp. 72-115.

⁵ See Robert I. Flanagan and William B. Gould IV (eds.): *International labour standards: Globalization, trade and public policy*, Stanford, CA, Stanford University Press, 2003, p. 4.

⁶ See Iftikhar Ahmed: “Decent work and human development”, in *International Labour Review* (Geneva), Vol. 142 (2003), No. 2, pp. 263-271.

offers an insightful balance sheet on the social dimension of globalization, while clearly identifying areas of controversy and of consensus among researchers. Controversy exists on the impact of globalization on child labour, gender equality and migration, but there is consensus that, overall, globalization has brought more benefits than costs – although it has worsened socio-economic inequalities both within and between countries and increased economic and political insecurity (even for those who have benefited financially). The authors' meticulous literature survey also helps to identify key national and international policy responses to globalization that are contributing to making it a fairer and socially more sustainable process for all.

The second article, by *William Milberg*, broadens the debate on the social implications of the trade dimension of globalization – from its widely discussed quantitative aspects to its relatively unrecognized qualitative aspects. Indeed, though globalization is no doubt spear-headed by the unprecedented expansion in the volume of international trade, it has also been accompanied by a change in the structure of world trade. Specifically, this refers to the increase in intermediate goods trade resulting from the break-up of production processes into different parts and their (re)location in different countries. As a result, policies for building the economic and political institutions to promote industrial upgrading and higher labour standards are no doubt correctly argued to be important. More dramatically, however, Milberg's findings challenge the validity of the age-old theory of comparative advantage when the structural changes in the composition of international trade are taken into account.

The next article, by *Malte Lübker*, is based on a survey of people's perceptions of inequality in 30 countries. It shows that public opinion worldwide tends to favour a "rethink" of current policies and institutions of global governance, which is consonant with the World Commission's proposed agenda for broad-based action to arrest the growth of inequality and reduce its extent. Indeed, the Commission's report, while conceding that the extent to which globalization is responsible for worsening inequality is open to question, concludes that income inequality has increased in some industrialized countries and in a large majority of developing and transition countries over the past few decades. The income gap between the richest and poorest countries has widened from 50-to-1 in the 1960s to more than 120-to-1 today. Accordingly, drawing on opinions collected from 26 "dialogues" between representatives of business, labour and civil society in 20 countries, the Commission's report calls for a fair and inclusive globalization which creates opportunities for all. In this connection, the report's emphasis on equality of opportunity, rather than equality of income, holds the promise of strong grass-roots support worldwide, as earlier research has found people from diverse cultural and socio-economic backgrounds to

favour policies which promote equality of opportunity as a means of achieving socio-economic equality.⁷

The next article, by *Marilyn Carr* and *Martha Chen*, analyses the complex relationships between globalization and social exclusion in a number of ways. *Firstly*, the article broadens the European interpretation of the concept of social exclusion – narrowly based on exclusion from (secure) employment – to focus on the nature of (often informal) employment opportunities associated with globalization in developing countries, including concerns relating to the inclusion of paid workers, barriers to inclusion of the self-employed in global production systems and forms of exclusion from domestic production systems. *Secondly*, the issue of social exclusion in relation to globalization is analysed from a broader perception of informal employment based on the characteristics of work (in terms of security, workers' benefits and social protection) rather than one narrowly focused on enterprise characteristics (such as size and adherence to regulatory requirements). *Thirdly*, the authors analyse exclusionary processes in the context of global value chains and export processing zones. Using this analytical framework, they conclude that the consequences of globalization in terms of social exclusion are not solely determined by exogenous market forces, but also by national and international policy options that can be revised.

In the next article, *Ignacy Sachs'* critical review of the evolution of development theories highlights the lack of a credible paradigm capable of addressing the twin social problems of mass unemployment/underemployment and growing socio-economic inequality at a time of rapid globalization driven by unprecedented technological progress. In the circumstances, Sachs argues for acceptance of the employment elasticity of growth as an important policy variable in the pursuit of inclusive local development – ensuring people's equal access both to decent work and to social welfare programmes – which, in turn, is linked to the promotion of inclusive globalization.

This special issue of the *Review* closes with an article by *Jean-Michel Servais* who argues that labour law needs to adapt if it is to keep up with the changes brought about by globalization – particularly the reorganization of production, heightened labour market competition and the diversification of forms of work. The author's case for regulatory reform applies to national and international law and to statutory and negotiated/contractual forms of regulation.⁸ His approach is based

⁷ For opinion surveys covering 13 countries across three developing regions and eastern Europe, see Deborah Levison, Joseph A. Ritter, Rosamund Stock and Richard Anker: "Distribution of income and job opportunities: Normative judgements from four continents", in *International Labour Review* (Geneva), Vol. 141, No. 4, pp. 385-411.

⁸ On the related subject of codes of conduct adopted by multinationals, see Olivier Boiral: "The certification of corporate conduct: Issues and prospects", in *International Labour Review* (Geneva), Vol. 142 (2003), No.3, pp. 317-340.

on a classification of international labour standards into three categories: those laying down fundamental rights, those governing technical aspects of work and employment, and those setting guidelines for social policy. Indeed, on account of its scope, social policy is particularly well suited to experimentation with innovative approaches aimed at assisting the process of legal reform without prejudice to the protection of workers' fundamental rights. The author's concluding remarks focus on the roles of the State and labour-court judges in furthering that process.

