



International
Labour
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Executive Summary

Globalization, flexibilization and working conditions in Asia and the Pacific

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What are the effects of globalization and flexibilization on employment and working conditions? The “conventional” view, which has been recommended and applied to countries around the world, is that in order for countries to gain from globalization they should make their labour markets more flexible through deregulation. The usefulness and reliability of this wisdom may best be judged on the basis of the impact of these twin global trends on the well-being of workers, yet empirical studies monitoring employment conditions under the processes of globalization are rare.

Globalization, flexibilization and working conditions in Asia and the Pacific addresses this knowledge gap by investigating how the benefits and disadvantages of globalization are reflected in daily working life, in the context of a region characterized by dynamic labour market changes. Composed of a rich set of chapters, including eight country reviews, the volume offers new theoretical and empirical insights to the globalization and deregulation debates and is intended for a wide audience, including policy-makers and academics.

A key feature of this volume is that it reaches beyond a superficial macro-level analysis to examine the *kinds of changes* in employment conditions that individual workers have experienced, in terms of employment status, wages/incomes, working time and worker rights. The book also considers potential trade-offs between these different aspects of employment. The choice of national studies presented in this volume allows for the identification of common trends and issues along with differences across countries in the region. The overall picture that emerges from the case studies, several of which are based on new surveys, is complex and varied, in turn raising important questions about the conventional views on the benefits of globalization and flexibilization.

The volume is made up of four parts. Part I consists of an overview of labour market developments in the region and two cross-cutting analyses of workers’ rights and the regulatory frameworks that advance them. Parts II-IV present eight country studies, grouped according to the different “waves of globalization”: Australia, Japan and the Republic of Korea; Indonesia, the Philippines and Thailand; and China and Viet Nam.

Labour market developments in Asia and the Pacific

Using the Asian financial crisis of 1997 as a benchmark, the volume provides a review of recent labour market developments in terms of employment diversification, informal employment, wage inequality, minimum wages, working time and deregulation. Although performance varies between the countries considered, a number of common challenges emerge, including reduced capacity for employment creation and growing income inequality. Although labour markets in the region have generally managed to recover from the economic crisis, the process has created a group of vulnerable workers both in the formal and informal economy, and this situation has often been exacerbated by labour market reforms. Indeed, the evidence suggests that deregulation may have been a contributing cause of the expansion of informal employment and labour market segmentation – a finding which leads the volume to conclude that the case for labour market deregulation is weak. The study points out that while the negative impacts of regulation tend to be exaggerated, its merits are often either underestimated or ignored.

Trade union rights and globalization

Based on the premise that the right to organize is critical in improving the quality of employment, the volume adds to the current debates on the relationships between globalization, economic development and trade union rights by challenging the view that countries with weaker collective rights tend to be more competitive. In part, this view appears to have arisen due to the greater visibility of exports from countries with weaker workers' rights, including some East Asian countries. The study points out that the tendency to focus on the labour cost implications of trade union rights underestimates their potentially significant effects on non-labour costs. To test this hypothesis, a statistical analysis on the relationship between freedom of association (and collective bargaining) and economic performance is carried out. The main finding is that stronger trade union rights and democracy enhance export competitiveness, implying that the potential cost-raising effect of trade unions may be offset by their positive effects in enhancing economic and social stability. In this context, the book addresses the controversial question of whether or not Asian countries represent “exceptions” rather than the rule.

Labour law and working conditions

In part to respond to a series of attacks on the notion of labour law, driven largely by the proponents of labour market deregulation, the volume provides a detailed account of “working conditions laws” in the context of a number of Asian countries. It points out that in a number of the countries in this region, labour rights were extended to workers as part of broader processes of democratization. This point is frequently missed by proponents of deregulation, whose focus is almost exclusively on the purported economic advantages of enacting labour rights. Major legal reforms have been undertaken in a number of countries to recognize the inadequacies of existing legal measures by extending their protection to the growing numbers of “non-standard” workers in the region. The study argues for the recognition that workers should be entitled to certain basic rights concerning working conditions and that labour laws should be evaluated from a social rather than a purely economic perspective.

Flexibilization and non-standard employment: Australia, Japan and the Republic of Korea

A common feature amongst Australia, Japan and the Republic of Korea is the increase in non-standard employment in the context of labour market reforms. In the case of Australia, the gradual shift away from security for employees towards increased flexibility for employers has had mixed implications on employment conditions. A key concern is the quality of non-standard employment. In Japan, although during the recovery from the economic depression of the 1990s companies generally managed to maintain their traditional wage and employment system, there has nonetheless been an increasing reliance on part-time, temporary and dispatched workers. The study suggests that such contrasting developments have contributed to rising income inequality. The review of Korea's experience finds that although flexibilization has helped to overcome the economic crisis, the process has been associated with an increase in labour market segmentation. An issue of particular concern is the prevalence of discrimination towards non-regular workers who remain unprotected both by government policy and union activity. Moreover, the study highlights the failure of the social partners to reach agreement on many reform issues.

Economic pressures and the changing quality of work: Indonesia, the Philippines and Thailand

A number of common trends and policy challenges emerge from the experiences of Indonesia, the Philippines and Thailand, which were all hit severely by the 1997 financial crisis. In the case of Indonesia the recovery process has been characterized by worsening working conditions and increasing levels of unemployment, underemployment and informal employment. Based on new surveys, the Philippines study notes that the increasing reliance of companies on non-regular workers has weakened their job-creation capacity and reduced job quality in terms of wages and security. A key challenge is getting the social partners to agree on how best to generate employment and promote decent work. The review of Thailand examines the employment structure shifts associated with increased global competition and provides a critical assessment of the policy efforts towards improving labour market institutions. Following a detailed review of the empirical evidence on the working conditions of vulnerable workers, the study urges continued efforts in bringing these workers into the formal labour system.

Transition and employment conditions: China and Viet Nam

The review of the experience of two transition countries, China and Viet Nam, reveals a number of commonalities, including increasing labour migration from rural to urban areas, the growth of employment in the urban informal economy and employment restructuring in state-owned enterprises (SOEs). In the case of China, labour market policy has been aimed both at enhancing flexibilization in the public sector and strengthening the regulation of private enterprises. Based on new surveys, the study finds that SOEs and COEs (collectively-owned enterprises) have seen greater improvements in working conditions than private and foreign-invested enterprises. The study highlights the need to address the plight of private sector workers and rural migrants. In Viet Nam, the increase in labour disputes and strikes is an indication of growing demands for improved working conditions. The review highlights the role of corporate social responsibility in improving employment

conditions and enhancing the position of trade unions. The need to revise labour laws on aspects related to wages, occupational safety and health, social protection for informal economy and migrant workers is a policy priority. The volume also suggests that labour legislation should be amended to be more compatible with international laws and practices.

Policy perspectives

In the Asia and Pacific region, the economic gains generated by the recent trends towards globalization and deregulation have come at a considerable social cost. Experience suggests that ignoring the need for some form of labour market protection may lead to the shifting of risks from employers to workers with further social implications, in particular for the most marginalized groups. More attention should be directed at the sustainability of this risk-shifting, from a medium and long-term perspective.

It is clear that the effects of labour regulations on employment performance are often exaggerated, while the role of macro-economic stability and related policies are overlooked. While recognizing the value of the ongoing discussions on “flexicurity”, the volume urges policy actors to consider how realistic (and acceptable) it will be to make the hiring and firing of workers easier when social security systems are yet to be fully developed in the region. The key question should be how to realize a balance between flexibility and security that is socially acceptable and which ensures that flexibility is not required of only certain segments of the workforce, in particular of non-standard workers. One important prerequisite for this challenging task is the need to enhance social dialogue mechanisms and to strengthen social security systems in the region. Given that many of the countries face common issues and challenges, the book calls for increased regional-level policy dialogue.

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