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The internationalization of employment: a challenge for a fair globalization?

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I. Introduction: Emerging issues from an international dialogue

The World Commission on the Social Dimension of Globalization called for decent work to become a global goal, and for employment objectives to be embedded much more firmly in international economic policies. Because of the growing interdependence of national economies, employment policies and goals increasingly need to be seen in an international context. This theme of the internationalization of employment was addressed in a conference, bringing together French and international researchers and organized jointly by the ILO and the French Ministry of Labour, Employment and Social Cohesion in Annecy, France, on 11-12 April 2005. The conference was the third in a series of France-ILO debates on important current policy issues, which began in 2001.

The following pages report some of the issues which emerged from the discussion. They do not necessarily reflect the views of the ILO or the French Government, but rather those of the researchers and analysts participating in the meeting in their individual capacity. In addition, while the conference mainly discussed the impact of globalization on the labour markets of developed countries, a global perspective was pursued and participants from the new EU member countries and from developing countries also participated in the conference and commented on the issues raised.

II. Executive summary

The dialogue had a broad agenda and debated three related issues. A first objective was to shed light on some of the facts of the employment impacts of trade and investments abroad, including such highly controversial themes as off-shoring of the production of goods and services. The growing interlinkages in global production systems in both industry and increasingly services make a quantitative assessment in terms of winners and losers difficult. Delocalization of production still concerns only a minor portion of lay-offs and on the global level one might assume at worst a zero sum game between the gains and losses in employment. Among the causes of employment problems globalization is only one of the many factors. However, for popular perception what counts is not the global outcome over the long term, but the short-term experience of downsizing, plant closings, and pressures on working conditions and wages. Decision-makers have to respond to the national and local problems independently where they emerge.

A second objective was to debate the options for coping with the short term and medium term problems related to the internationalization of employment. Here a historical perspective showed that from the beginning trade liberalization was -in the developed world- accompanied by flanking socio-economic measures. There now seems to be a trend towards the development of a process and a legal frame, and the slow emergence of an adjustment management system both on the national as well as on the international (regional) level, as can be seen by the recent initiative of the European Union to introduce a growth adjustment fund. This adjustment system comes into play when redundancies occur but it requires policies that go far beyond it, because the increased uncertainty and volatility of labour markets under globalization requires that women and men's careers be considered over the lifecycle. This context indicates a lifelong need for adjustment and protected transitions at critical moments in the life cycle. Being made redundant is one of these critical moments.

A third objective was to discuss the importance of international instruments that could help to introduce a level playing field in trade and promote development. ILO labour standards are one of these instruments, and different ways of promoting them have been discussed, such as international framework agreements between trade unions and multinationals. It was found that labour standards are particularly important in developing countries, as increasing south-south competition might lead - in the absence of a social floor - to a downgrading of working conditions. However, labour standards do not merely provide a level playing field; they are also key elements in growth and development independent from trade consideration. As indicated in the report of the World Commission on the Social Dimension of Globalization the conference reiterated the need for more policy coherence in the multilateral system. A common view on managing the short term effects of globalization and their local impact would help those negatively affected and install the conditions for long-term success.

Finally the essence of the conclusions is the urgent need to cope with the short and medium term effects of globalization and the internationalization of employment through adequate labour market policies, including permanent institutions to manage adjustment and support job transitions with security at the local, national and international levels. Notwithstanding the importance to find a direct political response to the consequences of off shoring and trade displacement, these institutions should be regarded as public goods and be open to all those displaced, whether by globalization or other causes. In the future, the worker's adaptation to structural change should be seen as a right to which corresponds the duty for equipping oneself with the elements of employability required to survive increased turbulence in the labour market. Such policies are important for decent work as a dynamic concept, as decency requires that protection and security go beyond a single job and extends to the transitions between jobs. However, such supply oriented policies must be backed by employment supporting macro and industrial policies.

III. Some questions and propositions for discussion

1. The internationalization of employment: how large are the effects?
    - Although popular reactions tend to focus on "delocalization", high income countries gain in other less visible ways from participating in global value chains, in both industry and services, so the balance is by no means necessarily negative, and there are important gains for lower income countries.
    - Nevertheless, there are significant negative employment effects which tend to be concentrated on particular groups of workers or regions, and these call for an adequate policy response.
    - Because of the multiple ways countries engage with the global economy, the employment effects are often indirect and hard to separate from the effects of other factors such as technological change.

2. How to take account of the internationalization of employment in national and European employment policy?

- National employment policies need to take a strategic view of international value chains and the opportunities that they offer. Those opportunities change over time and it is necessary to be able to adapt to change.
- It is desirable to build on and reinforce the comparative advantages of particular regions and of groups of workers.
- There is significant scope for international coordination in employment policy to avoid beggar-thy-neighbour policies.

3. What strategies are needed for adjustment and protection?
    - Public intervention is widely seen as important to assure income security and ease labour market transitions. There is a trend towards the development of permanent policy frameworks to manage restructuring and adjustment.
    - With aging work forces early retirement policies are being abandoned, but active labour market policies perform relatively poorly. More effective policies are required which prepare workers for job change and mobility early in their careers.
    - Social protection under structural change should accompany actions by individuals to increase their capacity to adapt to new situations, and by governments to put in place adequate policies for job creation.
    - Political pressures as well as the advantages of more precise policy targeting may well call for special treatment for off shoring and it seems legitimate to respond to threats by trade specific adjustment. But policy frameworks for adjustment and redundancy cannot easily be restricted to off shoring and outsourcing, because it is impossible to clearly separate different causes for redundancy.

4. What role for labour standards and the ILO?
    - Labour standards are an important foundation for a fair globalization, and an essential dimension of growth and development. It is particularly important to promote respect for fundamental principles and rights at work as a floor for the global economy.
    - Rich countries have a favourable position in the global value chains of most global sectors, and high productivity permits them to face up to low-wage competition. Competition on the basis of low labour standards should be combated (including in South-South trade) but low labour costs are a legitimate source of comparative advantage for developing countries.
    - A strong commitment of the social partners, both from North and South, towards a fair globalisation, will enable the social dialogue to be a major factor for finding policy responses in favour of a fairer globalisation.
    - There is need for policy coherence among all international organizations, which should work towards a common approach for policies for security and adjustment to flank structural change.

IV. The dimensions, the management of the effects and the governance of the internationalization of employment

A. The dimensions of the internationalization of employment

When questioned in opinion polls on what they see as the main threat of globalisation, people widely respond that what they fear most is to lose their jobs and/or to have to accept lower quality jobs. Opposition to globalization often results from popular fears of the "off shoring" or "delocalisation" of jobs, the displacement of national products by cheap imports made possible by low wages and poor labour standards, and labour market competition from low paid migrants. To confront this popular perception with scientific evidence on the impact of globalization on employment, the third France/ILO conference examined the topic of "the internationalization of employment: a challenge for a fair globalisation". Because of the specificity, complexity and political sensitivity of the debate on migration, the conference focussed exclusively on the employment impacts of cross-border trade and investment, including the question of trends in the "delocalisation" of jobs. Its objective was to produce new evidence on the trends in employment; debate policy solutions for those displaced by cross border trade and investment and discuss the means for the governance of a fairer employment dimension of globalisation.

Challenges and opportunities

As mentioned in the report of the World Commission on the Social Dimension of Globalisation, the increasing global dimension of trade and investment comes both as a challenge and an opportunity. For example, in its simplest formulation, the delocalization of jobs can be expressed as investment and jobs which are lost in the sending country and gained in the receiving country. In that case, the winners and losers can be clearly identified.

But this formulation does not reflect the real complexities of the internationalization of trade, investment and employment. If businesses are setting up overseas through delocalization and mergers and acquisitions they may at the same time contribute to the survival of national business because their in-sourced goods make them more competitive. They expand their markets and may find new possibilities to export, again boosting employment also in the sender country. Trade deficits may be seen as job opportunities lost, but again cheaper imports of intermediate goods can make national industries more competitive. Cheaper import goods also favour consumers. And usually trade and investment are not one-way streets: countries lose and win at the same time and the net balance is difficult to establish. And in many respects, being part of globalization seems to be a condition for maintaining and developing national production, employment and the social welfare systems: research has shown that those countries excluded from globalization are and remain the poorest. So, even in countries where the debate is dominated by the fear of job losses, amplified by media reports on plant closures and delocalization, it is dangerous to jump to conclusions about the overall impact of this complex pattern.

And against this must be set the real opportunities which globalization offers for lower income countries to gain a foothold in global production systems. And the growth of domestic markets in those countries is an essential part of a healthy global economic system, from which all can gain. Such arguments can be advanced both within an enlarged European Union, and between Europe and the rest of the world.

Clarifying the extent of threat

One of the aims of the conference was therefore to bring more clarity into this debate. Different speakers presented some of the figures underpinning popular fears of the impacts of globalisation. For example, it was estimated by research that the huge 2004 trade deficit between the US and China corresponds to a gross number of 1,8 million "foregone jobs". A back of the envelope calculation on the 2003 trade deficit between the EU and China would amount to around 0,8 million foregone jobs. The concomitant decline in industrial employment reported from the USA or from France supports the argument that outsourcing adversely affects the industrial base of the countries concerned.

More recently there have also been effects on the hitherto protected service sector. There are alarming forecasts, such as those provided by Forrester research, which estimates that around 1,2 million service jobs in the EU15 are ready to be off-shored in the next decade. At the same time there is increasing demand for an opening of agriculture, and awareness of labour cost advantages, not only in East Asia but also in the new member countries of the EU. This fuels popular fears, that the comparative advantage of western industrial countries are under threat.

However, most speakers and participants, without denying the existence of such trends, tended to de-dramatize the situation. For example it seems that straightforward delocalization of jobs is rather rare. It was the reason for job losses in only 6% of all restructuring cases reported by the European Restructuring Monitor. In France only 10% of job reductions in industry were reported to be due to off-shoring. In general it seems difficult to attribute job losses primarily to globalisation, because of the difficulties in disentangling the many factors that impact on jobs. In particular, it seems clear that technology- at least in the short term- can be a more important driver of job losses, especially if productivity gains are not followed by a proportional expansion of markets.

The concept of "foregone jobs" in trade accounts is also questionable as import substitution policies would require a hypothetical array of infeasible and undesirable policies such as low wage strategies and labour intensive production and would reap both developing and developed countries of their comparative advantages. Uncertainty remains on the measurement of the overall effects on employment when both origin and destination countries are taken into account. The result may be zero sum or positive sum games. Vertical disintegration of production of goods and services adds a new dimension to globalization that makes any balance sheet of employment impacts even more difficult: more and more intermediate inputs in production (and increasingly) in services are produced abroad, but marketed at home and abroad, often by multinationals that have their centre and main workforce in developed countries.

Globalization is only one factor and it seems not the dominating one. However, in conjunction with technological change and the new global production chains it speeds up structural change. And although the share of (some) developing countries in trade has increased, developed countries are still the main actors of trade and investment and the drivers of globalisation.

The question of the nature of jobs that are especially at risk in high income countries was also discussed. It is true that, as is generally assumed, this mainly concerns unskilled jobs, but some higher level service jobs are also subject to off-shoring. Nevertheless, around 60% of the jobs ready to be off-shored in the near future in the US are relatively low paid.

Another topic discussed was the increasing inequality that tends to accompany globalization and the internationalization of employment: while absolute poverty is decreasing, wage and income inequalities between countries and within many countries are increasing, sometimes at great speed. Some of this due to geographical variables such as the remoteness from main centres, some of it this is due to a form of a "race to the bottom" caused by increased competition between countries and workers. The "doubling of the global labour force" with the entry of China and to some extent also India in the global arena is another factor.

Globalization old and new

But globalization is not a new phenomenon: before it was stopped by World War I , trade and investment across borders had already reached heights that were only surpassed again in the middle of the seventies. While post-war trade gradually regained its early 20th century level, its nature has until recently been very different from trade in the last century. In 1913, Britain – the leading trading nation of the time – imported wheat and tea and exported textiles. It traded largely with far-off and dissimilar countries.

Trade still is chiefly the preserve of the wealthy countries: The "old" Europe of 15 accounts alone for 40% of world trade. Two thirds of the imports and exports of these countries are among themselves. France, Italy, the Netherlands and Britain are the main trading partners of Germany, which is the leading European exporter. There is less trade between Germany and the United States than between Germany and Belgium and Luxembourg. Most world trade is therefore a local type of trade, from the point of view of both products and trading partners. Excluding trade with the other European countries, France's trade with the rest of the world, including the United States and Japan, accounts for less than 10% of its GDP. The proportion of Western Europe's exports destined for the developing world continued to fall throughout the post-war period. At present, exports from the wealthy to the poor countries account for only 2% to 3% of their GDP.

The activity of multinationals mirrors world trade, of which they are also the main vector; 77% of the sales of American multinationals were destined in 1998 for the OECD countries.

There is no doubt that it is the consumers of the countries in which they are based that are the main interest of these multinationals, which explains why their foreign direct investment has long been in the wealthy countries themselves. It also explains why direct investment in a country has long been the greater, the more this country has increased its customs barriers; investment *in situ* is a way of getting round tariff barriers and reaching the consumer. This is why Japanese motor manufacturing firms stepped up – in the early 1980s – their investment in the USA in order to counter American industry protection.

Changes

It is only as we move into the 21st century that a genuine change seems to be taking place, with an increase in trade from developing to industrial countries. China is the most prominent example of this trend. While from 1989 to 1998 total employment in multinational firms increased by only 25%, it doubled in Asia in those ten years. In China, it increased by 53% per year. Multinationals are now setting up in emerging countries in which customs tariffs are

low in order to use them as a platform for re-export. In east Asia, an average of 50% of production is re-exported. This re-export takes place along a production chain, chiefly to other Asian countries, before the end product is finally despatched to global markets. In 1995, the majority of American imports were intermediate products purchased by industrial firms. In the European countries (France, Germany and the United Kingdom), over half of intermediate products are now imported.
The famous Barbie doll also offers a striking illustration of the new nature of world trade. It illustrates what is being termed the "vertical disintegration" of the manufacturing process. The raw material, i.e. the plastic and the hair, comes from Taiwan and Japan; assembly takes place in the Philippines before moving on to lower wage areas in Indonesia and China. The moulds come from the United States as does the last coat of paint prior to sale.

Value chains

This "vertical disintegration of production" which characterises the current expansion of world trade has a great deal to do with the development of information technologies and is underpinned by a revolution in labour organisation. These new production methods have not been created by the information technology revolution, but IT makes it possible to expand their use and create new applications based on "networking" of complex production units, within and outside the firm. In these new management methods, outsourcing to subcontractors plays a major role. Firms focus on their comparative advantage, on the points at which their margins are greatest and particularly on the two ends of the chain as discussed below. From this point of view, it can be said that employment is itself being internationalised by a process which predates it and which is much more global than is suggested by the proportion of jobs actually off-shored.

The value chain approach shows also the comparative advantages of countries: what stays in developed countries are the parts of the value chain which provide the most value added, namely research, design and conception as well as promotion and marketing strategies. While globalization is helping these two ends of the value chain to prosper, it is, in contrast, increasingly tightening the noose around the intermediate stage, that of production. This is why it is misleading to contrast services and industry. Within the industrial sector, it is the most service-oriented activities of the industrial sector itself which are flourishing (in the wealthy countries), while production activities in the strict sense tend to be outsourced. Recent studies show that firms taking part in international trade tend to focus on tasks geared to managing the new complexity of the value chain. So, in a way delocalization and de-industrialization are the twins of "global sourcing" which is increasingly a condition for doing business.

The effects of the internationalization of employment

In the light of the discussions of the conference, there is both continuity and change in globalisation. Very often decisions to set up abroad are governed by market seeking arguments: as such the concept of foregone employment is probably misleading as cost differentials do not permit firms to serve the market from home. Not setting up abroad would correspond to an opportunity lost. As the local and foreign employment content in final products are difficult to disentangle, the employment effects remain uncertain.

In a way then, the popular perception in the wealthiest countries that there are only job losses, but no job gains linked to the internationalization of employment, are most probably exaggerated. However, while this finding may be important it will not help to cope with the anxieties of populations. This is because the mere possibility of setting up abroad, of moving investment over the globe acts as a threat: the danger of downgrading of working conditions is concrete, as is the fear of job losses.

It is the nature of structural change that it destroys jobs in certain locations, certain sectors and for certain groups but creates jobs in other locations, other sectors and for other groups of workers, and this makes adjustment difficult and painful. That the internationalization of employment, viewed at the global level, is a zero sum or even a positive sum game, with winners gaining more than the losers have lost, is not a soothing argument for national politics. Politicians have to address the tension between global (and even national) compensation and local losses. and between the very real short-term problems and the probable, but more uncertain long-term gains. Therefore the conference also debated the question of what can be done to make competition fairer, and minimise the negative effects of the internationalization of employment, and where negative employment effects seem inevitable, at least in the short-run, how to manage these effects.

B. The management of the effects of the internationalization of employment

From the above, several conclusions for the management of the employment flows of globalization follow. They have implications both for industrial and labour market policies. The conference focussed on the latter but it was noted that the former, as well as sound macroeconomic policies, would be essential to create alternative jobs for those displaced by foreign trade and investment. Most of the attention was focussed on the policy options for adaptation within high income countries; obviously, for countries entering global markets with cost advantages, within the expanded European Union or in developing countries, the strategy is likely to be different.

Three different approaches were identified. The first focuses on participation in value chains. In this case, priority is likely to be given to speeding up the specialization of the firms at both ends of the chain: sectors with a high R&D potential need to be promoted, while at the same time jobs (especially unskilled jobs) may need to be supported in the sectors not directly subject to international competition. This is the path that is instinctively being taken by a country like France, which wishes both to pull off a high-technology industrial policy (Beffa report) and to implement a targeted policy of subsidising low-wage and local jobs, as proposed in another recent French report.

A second approach is geographical. In this case, the stress has to be placed on the resources available to regions rather than on sectors as in the previous approach. A region that wishes to adapt has to offer the new (physical and human) infrastructure that the global economy demands. It could be envisaged that national governments and/or the European Union, via the structural funds or the new adjustment fund, compensate regions affected by off-shoring, at least for a certain period, to help them to prevent a downward spiral: fewer jobs, less revenue, less infrastructure and general loss of attractiveness.

A third approach targets the individuals affected by change. According to the conventional conception of international trade, an efficient international division of labour would emerge provided that, in each country, workers are re-allocated between sectors. This approach to the problem opens the door to measures targeted on individuals. This is one of the main starting points of the debate on flexisecurity.

Most probably all three approaches have to be combined as they are not mutually exclusive.

Globalization is not new, nor is restructuring of firms

The conference paid particular attention to the third approach. Redundancies have frequently occurred in the past, but there are encouraging developments taking place that might result in the development of a genuine and permanent "adjustment management system" linked among other factors to trade liberalization and globalisation. Therefore the second session of the conference considered the issue of anticipating job transfers and the protection of workers affected by delocalization and economic downsizing.

Research on these issues in the 1970s is still relevant today. At that time there was a radical change in the international division of labour, characterised by the arrival of new Asian competitors (Japan and the Republic of Korea, at that time) with up-to-date means of production, low wages, lower rates of trade unionisation, less stringent labour and environmental standards, and cheap energy and raw materials. The first sectors affected by this "new" competition in 1970 were textiles, clothing, electrical and optical equipment, later followed by shipbuilding, steel production, the automobile industry, and mechanical and electronic engineering. Various programmes were developed to socially cushion redundancies and/or reallocate workers to other sectors through adaptation training, wage subsidies or early retirement. Even before the seventies, the experience of European Coal and Steel Community (ECSC) of 1952, the forerunner of the European Union, shows that public authorities, both national and international, were much involved in mitigating the effects of redundancies linked to a gradual liberalization of this protected sector. As this example shows, it was already recognized at the birth of the European Union that the introduction of a common market, and the development of ways of preventing and curing the resulting job losses, were inextricably linked. The same, but with a much lower level of government (and without supranational) intervention, holds true for other trade blocs, such as the North American Free Trade Agreement (NAFTA) that reinforced trade adjustment assistance.

Most of the various public policies and company measures to flank restructurings are to be found in these historical experiments, with European approaches using more varied policies more massively than the US. They included preventive measures affecting the very conditions under which businesses operate, attempts to ensure that changes happen gradually, the use of "age-related" labour market measures, as well as "active" measures promoting geographical and/or occupational mobility, reindustrialization subsidies, etc. European policies rapidly moved away from measures to slow the process of restructuring, and accepted – not without struggles on the way- the game of the market on the condition that job cuts are flanked by policies for the reallocation and protection of workers affected. There appear to be three determining factors in triggering public intervention:

- First, the existence of large companies forced to lay off large numbers of workers;
- Second, the impossibility of staggering these job losses over time, so that they appear massive and sudden;
- Third, the geographical concentration of the job losses, which makes them even more visible and generates losses of dependent activities.

Because of these factors, small and medium sized enterprises were largely left alone when they had to adjust, while big enterprises benefited from an array of adjustment measures.

Restructuring resulting from globalization is obviously found worldwide, occurring in Latin America as well as in Asia, where surplus workers are often laid off without much public intervention or compensation from the firm involved in the restructuring.
The former Communist countries deserve a special mention, first of all because the structure of the labour market and the operating rules in their societies showed no open unemployment, but instead a form of “labour hoarding” within firms themselves. Under the rule of a market economy, the internal management of workforce surpluses disappeared and massive job losses and open unemployment appeared despite some of the adjustment measures that were taken to cushion the effects of the regime change.

Towards a permanent “adjustment management system”?

While continuity rather than sudden change characterises adjustment policies, the lists of instruments that have been used to adjust to the effects of free trade and globalization in a socially responsible way provide evidence of a gradual evolution in priorities. We can sum up the general direction taken by saying that the approach is becoming increasingly “Schumpeterian”, referring to the famous Austrian economist who formulated his analysis of the “creative destruction” of capitalism in the first half of the 20th century. With his approach, there is no point in delaying job losses resulting from capitalism, nor should this be done to protect workers under threat. On the other hand, it is justified to compensate those affected and to organise the reallocation of workers from shrinking or rationalizing sectors to growing sectors.

However, structural change is now taking place in a context where lay-offs no longer appear to be unfortunate but isolated incidents: they are gradually becoming more widespread and are tending to become permanent. They do not concern only big firms. Because of new forms of work and company organization resulting in outsourcing and just-in time delivery smaller supplier units, both national and international, are immediately affected by problems arising in the core units of the value chain. Interdependence has grown and with it the effects all along the chain. The conference evoked the possibility of a “genetic mutation” in restructurings to refer to the constant need to be flexible and competitive which is making it harder for workers to adjust, and find and keep jobs.

Two major changes can be observed in the use made of instruments to accompany restructuring. Today, in the developed countries at least, restructuring tends to be managed on the basis of permanent rules and schedules drawn up by the public authorities. This trend towards “proceduralization” is coupled with a growing emphasis on “active” approaches that are supposed to be looking to the future of new jobs rather than trying to preserve the past. The result is that they are bringing a “new balance of rights and duties”, in the European Union at least, for economic redundancies. Recourse to the law or the courts becomes a central issue every time a contract is likely to be terminated. There is thus a trend towards the “legalization” of labour relations, the effects of which are most visible when restructurings occur, because the workers concerned have usually been employed for a long time in sectors where stable, protected labour relations are guaranteed.

In the USA it is anti-discrimination measures that come to the fore in any mass redundancy procedure, particularly when there are disputes relating to age discrimination. In many countries in Europe, “social plans” set out the substantive and above all the procedural requirements to be complied with by major companies when carrying out mass lay-offs. Despite a variety of situations in individual countries, one can identify the emergence, in Europe at least, of what some observers suggest to call an “economic redundancy system”, ranging from the limitation or regulation of redundancies to the obligation to give advance warning or consult the workforce and/or various regional or national public bodies, or to follow a series of predetermined steps. This “system” also has a basis in European legislation (1975 directive amended and expanded in 1992). Most recently, with the accession of new member countries, the aim is to introduce a supranational financing mechanism, a 1 billion Euros per year growth adjustment fund and contingency reserves as part of the social cohesion policy, that might add up to some 11 billion Euros over the coming years.

Activation of restructuring

From the point of view of a company, faced with stronger competition and in the context of work reorganization and intensification, it seems natural to keep those workers who are regarded as the most adaptable and productive. Older, poorly trained workers then become the main target of redundancies. They are also difficult “clients” for active employment policies. Early retirement schemes may then appear to be the best solution for most of them. In the past, this policy was widely used to deal with mass layoffs. But today, with the ageing of the labour force, it seems difficult to continue with this past win-win solution. It provided adjustment possibilities to firms, income security to workers and guaranteed social peace, but at the price of putting a burden on public or company finances. Terminating the early retirement option leaves three alternatives for older workers: that they remain employed by their firms, at the cost of a possible trade-off with employment for young people; accepting higher levels of unemployment with a high risk of pauperization at older ages; or opting for active labour market policy to manage their transitions to new jobs or to offer temporary replacement jobs.

The gradual withdrawal of early retirement schemes is leaving older workers, who are the main victims of restructurings, with a bleak outlook. The challenges of the future are two: enable firms to offer longer careers to their older workforce and to make restructuring more active in the sense of genuinely helping the redeployment of workers from shrinking to expanding sectors. The latter option may entail a more even distribution of the lay-offs among all age classes.

But can active measures do the job? The OECD finds that redeployment rates for workers looking for a new job after having been laid off rarely exceed 50%, and this concords with the findings of most experts. What we find here, accentuated by the special nature of the circumstances and people involved, is that active employment policies perform relatively poorly. In particular, there is great scepticism about training as an employment policy tool when dealing with restructuring. It is often deemed to be ineffective if it is too general, but more effective if it is vocational. However, workers made collectively redundant, who are often specialised in a particular trade that is disappearing, have held long careers in shrinking sectors and are older, often find it very difficult to feel motivated about training even if they gain access to it.

So, while in theory active public (or public/private) labour market policies are required, means have to be found to make them more efficient in helping the reallocation of workers, which is difficult if jobs are rationed. To do that and create an efficient "adjustment management system" several conditions must apply.

First, there should be options preventing job loss, and only after the exhaustion of such measures should there be active redeployment. For example, when the business cycle leads to temporary lay-offs, special temporary lay-off systems or short-time work schemes may prevent temporary difficulties on the labour market from becoming permanent.

A second condition is to manage not only job losses, but careers. Most of the studies tracking what happened to the victims of restructuring underline that the results in terms of redeployment depend very much on the past career of the workers concerned. Careers start way before such redundancies occur and this calls for general employability policies. The protection of professional trajectories or policies providing for protected mobility at the intersections in working lives, where risks occur (school to work transitions, job to job transitions or job-unemployment transitions) are a new approach that goes beyond ad-hoc redundancy management to the development of genuine "adjustment management systems".

A third is the active participation by those undergoing retraining or using other active labour market measures. For example, the resistance to training of dismissed workers, especially if they are older, parallels the real difficulties they have in finding new jobs, but tends to increase these difficulties. This seems to be a typical "Catch 22" situation that has to be tackled. At some stage in the process, new jobs, corresponding to the training received, have to be offered. Positive age discrimination policies might help to open up jobs for this category.

A fourth is the active and genuine involvement of the social partners. Many of the redundancy policies fall under their responsibility: they are part of public employment services, part of training boards and so on. The constructive participation of the social partners in reshaping active labour market policies is also in their own interest. For employers an "adjustment management system" allows the continuation of socially responsible adjustment, for unions it is assisting their members and results in giving attention to both insiders and outsiders in the labour market.

A fifth is a proactive stance of the national governments. Important parts of the "adjustment management system" will be state financed and some parts also state run. Much of the organization will remain with decentralised units of the government or employment services, although actors of the civil society should be involved and a variety of public, private and associative intermediary organisations can help.

A sixth is the proactive stance of regional entities, such as the European Union. The trend towards financing a growth adjustment fund is a clear sign that the EU is moving in this direction and will co-finance worker reallocation. The European Employment Strategy is an important plank in the flanking of restructuring as well.

A seventh is the development of a strategy on the global level. The multilateral system should more forcefully agree on the need for a "redundancy management system" that effectively tackles the problem of the reallocation of workers. Especially the developing and emerging countries, which face some of the same problems (e.g. the recent phasing out of the Multi Fibre Agreement creates worldwide employment problems) but without the financing and organisational capacities of the developed countries require advice on the management of restructuring and financial aid to cope with redundancies.

There remains the question whether or not access to such a policy framework coping with the adjustment needs of workers should be limited only to those displaced by trade and off-shoring, such as the US trade adjustment assistance programmes. For political reasons such a proposition is attractive, as it would allow governments to show their active contribution to solving the problems caused by the internationalization of employment. Evaluation of labour market policy has also shown that more targeted programmes achieve better results than general programmes. From an economic and practical point of view, such targeting makes much less sense. It has been shown that it is increasingly difficult to disentangle the causes of redundancies (trade and investment, delocalisation, technology, national competition, unsuccessful mergers and acquisitions, turbulences on financial markets, privatisation, etc.). Also the characteristics of those displaced by trade or by other factors are basically the same. And it would be difficult to deny rights to some, while they are granted to others. Another factor is also that the emerging “redundancy management system” can be seen if not as a global public good at least as a national or interregional public good. This would logically imply open access for all in similar situations.

C. The governance of the internationalization of employment

In the long-term and at the global level the employment effects of globalization may well be positive. However, more adaptive capacity in the short and medium term is required. A permanent, but adaptable “adjustment management system”, as outlined above, is a plausible option both nationally and in regionally integrated economic areas, such as the EU, but also in NAFTA or Mercosur. More difficult, but perhaps not impossible, would be the setting up of an international adjustment fund, which would try to compensate the losers, eventually by taxing the winners, on a global level.

Policy coherence

To cope with some of the employment concerns in the present phase of globalisation, international instruments are needed. For example, on the global level, there is a need for more coherent policies to accompany structural change. There are already attempts being made by some of the key players in the multilateral system, such as the World Bank, to flank proposals for free trade with social policies, which are in fact very similar to policies proposed by the ILO and by the European Union. Also the OECD has fully engaged with policies for worker security to accompany trade liberalization. Such flexicurity regulations and policies, which accept adjustment but provide security, are a promising field for common international action.

Labour standards

However, there is also a need to establish level playing fields, especially among developing countries. While the conference focussed more on the impacts of trade and investment on the labour markets of the developed world, the discussion around the issues of ILO labour standards suggested that the countries of the South are more in need of policies to protect them from unfair competition than the countries of the North. The dominance of the latter in trade and investment is still overwhelming. It is not so much the countries of the North who suffer most from the negative effects of competition through cost advantages in the price of labour and the conditions of work, because they have the advantage of high productivity and a favourable position in the value chain. For example although wages in some of the new member countries of the EU are much lower of those of the old EU member countries, the high productivity levels in the advanced countries compensate for these cost disadvantages. And multinationals of advanced countries, which invest in the former transition countries, can combine low labour costs with high productivity and thus have a competitive edge.

There is fierce price competition between developing countries, intensified by the irruption of China in global markets, even if China's growing domestic market also provides new opportunities. Many countries are vulnerable. In view of the phasing out of the Multi-Fibre Agreement in the textiles and clothing industry in 2004, and the enormous expansion of Chinese production capacity, countries like Cambodia, Thailand, Bangladesh, Sri Lanka, Morocco and Mexico are subject to intensified competition and fear the loss of jobs. In 2001, the ILO launched a unique multi-donor partnership project in Cambodia's garment industry which employs more than 270,000 mostly female workers and makes up 80 per cent of all exports. The project, called "Better Factories Cambodia", created a team of independent labour monitors to make unannounced visits to garment factories, checking on conditions as diverse as freedom of association, wages, working hours, sanitary facilities, machine safety and noise control. Cambodia has been able to gain market share through this labour standard upgrading strategy.

Labour standards, and in particular the fundamental rights at work comprising freedom of association and collective bargaining, and freedom from forced labour, discrimination and child labour are highly relevant. The latter are now widely seen as providing a floor to the global economy. Full respect for these rights, it was stated, would make a significant difference – it was argued for instance that freedom of association in China would lead to substantial wage increases.

From the days of Albert Thomas, the first director general of the ILO, the Organization maintained that the improvement of labour conditions would not simply come about in the wake of economic progress, but required a pro-active approach on legal rights and international agreement. Unregulated competition in the labour market could depress labour conditions. The remedy to this situation is a common rule or minimum floor for conditions of employment which is applied by all. If there is foreign competition, then the normative regulation has to be international. It has to be co-extensive with the labour, product and capital market to prevent undercutting of the standard, and the spill-over of sub-standard labour conditions from one country to another. This functional requirement is recognized by economists when they refer to "moral hazard", "negative externalities", or "free riders". However, the problem is that they would have to be introduced more or less simultaneously in all countries or at least in enough to make their practice the norm.

Some participants argued for labour standards to be linked to trade negotiations, urging cooperation between the WTO and the ILO. For example, the European Union gives preferential tariffs to countries, which respect the fundamental rights at work of the ILO. Voluntary respect for fundamental labour standards is also part of the corporate social responsibility agenda, for instance in the UN Secretary-General's Global Compact, providing another way to advance the implementation of labour standards.

The link between trade and labour standards, and in particular the scope for conditionality, is a controversial area, because it is often viewed in developing countries as a form of protectionism by wealthy countries. But there are also fundamental socio-economic reasons for addressing labour standards as an integral part of the development process, rather than following a model of "growth first and standards later". Therefore, while GSP and labour standard conditionality in trade negotiations might in principle help to promote respect for standards, ultimately it is their contribution to growth and development which is more important.

Social dialogue

Another important element of the governance of a fairer globalization and internationalization of employment is the development of an international social dialogue. Workers' and employers' organizations are both concerned by the internationalization of employment and should have a voice on matters such as labour standards, conditions of competition, the security of workers, etc. There are some 30 examples of International Framework Agreements (IFAs) which have been negotiated between a multinational company and the trade unions of its workforce at the global level. Such agreements can ensure respect for the fundamental rights of workers (ILO) throughout the subsidiaries of transnational companies.

As stated above, a salient impact of economic globalization is the acceleration of structural change in countries opening up to international trade and capital flows. To avoid the risks and to maximize gains from trade, employers and employees need to adapt quickly and effectively, by shifting to new products and processes, and acquiring new skills and competencies. Governments have to provide knowledge and services to promote trade adjustment through labour market information systems and active labour market policies. Based on the relevant Conventions on human resources development and employment services the ILO operates a system of advisory services for countries that wish to benefit from the globally most advanced, experienced and effective policies and practices.

List of Participants

Dialogues on the social dimension of globalization
Annecy, 11-12 April 2005
The internationalization of employment: challenges for a fair globalization?

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