

## The Social Dimension of Globalization – A Critical Assessment by Civil Society

*The „Social Dimension of Globalization” has been discussed at an Asian Regional Conference at Thammasat University in Bangkok on Tuesday and Wednesday, 17<sup>th</sup> and 18<sup>th</sup> December 2002, and thus has given voice to a critical assessment of civil society. Organizers of the Conference were Dr. Surin Pitsuwan MP, the former Foreign Minister of Thailand, the Thammasat University and the Friedrich-Ebert-Stiftung/Germany.*

The conference was held in conjunction with a Regional Meeting of the World Commission on the Social Dimension of Globalization which was founded by the International Labour Organization (ILO) in February 2002 in order to seek better understanding of people’s aspirations and concerns as related to globalization. Dr. Surin, being himself a member of the ILO World Commission, took the initiative and suggested holding this conference so that representatives of civic society could address their experiences with the process of globalization to members of the World Commission.

*33 participants from 10 Asian countries, Europe and international organizations and 30 participants from Thailand played an active role in six sessions of this conference to reconsider negative social effects of nearly unlimited economic globalization, and to suggest remedy where needed. Among them were known scholars, journalists, trade union and NGO leaders and representatives of civil rights movements. Members of the ILO World Commission, its Executive Secretary and members of its Secretariat participated as well.*

*The following report offers a summery of contributions by resource persons and by discussant.*

### The International Community has to Forge Greater Policy Coherence

While transnational companies have benefited from globalization, half the world continues to live below US\$ 2 a day with some 1.2 billion people living even below US\$ 1, Lord William Brett, Member of the World Commission and Chairman of the ILO Governing Body, told participants at the opening of the conference. Speaking in his own capacity, Lord Brett said there is no level playing field between the North and the South. One example of the bizarre use of assets, he pointed out, is that US\$ 12 billion a year is spent for water – one of the most precious commodities - while Europeans spend the same on ice cream.

He was ashamed to be speaking as a European. During the Doha meeting there had been a lot of genuine criticism and fine words. All the same, the United States continue to provide massive subsidies to farmers in the North, and the European Union’s reform of common agricultural policy gives the North comparative advantages. “We are subsidizing farmers in the North to the tune of 1 billion US\$ a day, while telling the rest of the world they must not subsidize agriculture. I don’t think we have any credibility in the South unless we change those policies”, he said. And moreover Lord Brett pointed out that while there is much criticism of the International Monetary Fund (IMF), the World Bank (WB) and the World Trade Organization (WTO) , more direct blame should go to the G-8 countries that influence these institutions.

Dr. Surin Pitsuwan MP (Thailand), Member of the World Commission, also explained that it is the Commission’s job to identify policies linked to globalization that reduce poverty, foster growth and development in open economies and promote “decent work”. Thus a key objective in the work of ILO is to pinpoint ways of making globalization more “inclusive”.

The Commission aims at promoting more focused international dialogue on the social dimension of globalization, and helping the international community forge greater policy coherence so that both economic and social goals can be attained globally. It also aims at finding ways to protect the vulnerable, the less qualified, and those unprepared for potential downturns between periods of economic prosperity. Furthermore it needs to address the issue of gender, and strive toward greater equality in this regard. These objectives have been the underlying themes of the present conference.

Dr. Erfried Adam, Director of the Liaison Office in Geneva of the Friedrich-Ebert-Stiftung/Germany, said in his greeting address that globalization is of concern to most people, both in the North and in the South, in developed and in developing countries. “We do actually not know how this world would be without globalization. There was poverty and exploitation before we started to talk about globalization. But now most people feel or experience more directly great and unknown uncertainties and growing inequalities within and between nations”, he said. There can be no doubt that the benefits of globalization have to be made accessible to more people in a just and equitable way. If globalization does not provide increased opportunities for all and benefits for the poor and excluded, and if social concerns remain outside of economic policy considerations, then the chances for a constructive, cooperative and inclusive world will be endangered and conflicts will get even more explosive than they are already. Far too many are left aside, Dr. Adam stated.

#### International Labour Standards under the Impact of Globalization

Collin Harker of the International Confederation of Free Trade Unions (ICFTU) in Brussels chose the issue of power to make problems of the social dimension of globalization pertaining to international labour standards more tangible. “The first power issue is the balance, or rather imbalance, of power between countries in the world trading system, and the consequences this imbalance has for the rules of the world trading system, and the effects, in terms of development and poverty reduction, that trade has on different countries”, Harker stated. Countries at different levels of economic development have different capacities to benefit or suffer from trade liberalisation and the competition which it entails. For some countries, i.e. the most industrialised, the case could perhaps be made that for trade liberalisation, more and faster means better. For many other countries, i.e. those less industrialised and less well capitalised, more and faster definitely does not equal better, it often means disaster. In these situations, it is essential to be more explicit about the fact that trade is not an end in itself, but is a tool in order to produce social development, and must be managed in such a way that it does contribute to social development. The speed and depth of trade liberalisation is one important source of difficulty for many developing countries, and an example of multilateral rules that would appear to better suit the strong players in the world economy than the weak.

The second power issue Harker highlighted was the relative lack of clout faced by the ILO with respect to other multilateral institutions, notably the WTO and the Bretton Woods Institutions. A broad survey of national development policies of recent years would bear out that it is the mandates of these latter institutions that have taken centre stage, to the detriment of the social agenda of the ILO. The ICFTU maintains that this is in large part why the development agenda has often produced more problems than solutions, Harker pointed out. To redress this situation Harker suggested that firstly the trade union proposal for an operational institutional link between the ILO and the WTO be implemented. Secondly, that a series of joint labour and trade, and even perhaps labour, trade and finance ministers meetings be convened to enable governments to better understand the intimate relationship of these

issues. And thirdly, the work the ILO is beginning to do, including jointly with the FES, on the World Bank and IMF's Poverty Reduction Strategy (PRS) processes, should be greatly increased. This greater involvement of the ILO should be explicitly sanctioned and facilitated by the World Bank and the International Monetary Fund.

Turning to the third power issue, Harker dealt with the imbalance between capital and labour. It has gradually become clear that the principles of commercial law, of a free contract between equals, were not sufficient to govern people's employment relationship which is hardly ever between equals. Poverty has always provided significant pressure against the development and implementation of progressive labour legislation. In a global marketplace, where poor countries face significant competition for market share or competition to attract foreign investment, the pressure on labour standards is often irresistible. Harker sees a way to right this current imbalance that exists in discussions on global investment policy or agreements. These discussions, be they in the UN Conference on Financing for Development or in the WTO, concentrate on the measures needed in order to attract investment, and omit measures to vouchsafe the performance, in development terms, of this investment. To address this balance would be a step towards imposing responsibilities or restraints on the freedom of capital. It is well understood in the Asian region, Harker continued, that increased freedom of capital can bring benefits, but it can also bring grave consequences, if unchecked.

And indeed, further contributions during this session of the conference offered many examples from Asian countries which illustrated the theses of Collin Harker in a dramatic way. Prof. Lae, Chulalongkorn University in Bangkok, elaborated that minimum wages in Thailand were frozen for three years following the economic crisis and in consequence of conditioned loans. There was no job security, and subcontract work was introduced in work places of formerly permanent workers. This enabled employers to avoid all kinds of legal commitments like minimum wages or social security contributions formerly applied. Other reports from Asian countries gave proof that radical capital liberalisation was the blast-off for the race to the bottom, the bottom of miserable social and unbearable labour conditions where only searching for the cheapest manpower counts.

This dark picture of deteriorating labour conditions as a consequence of overly rapid economic globalization and unconsidered liberalisation of capital flows reappeared again in a different context when the impact on female workers in the formal and informal sector was discussed.

Female Workers: Do they always Loose as the First and Win as the Last?

"One can summarise globalization effects on women in South East Asia by saying that whereas the provision of low paid female labour helped the economies to reap macroeconomic benefits of an export-oriented development strategy, the women could only partially gain from these developments", stated Karin Siegmann, Centre for Development Research of the University of Bonn/Germany, who did extensive field research in Indonesia and neighbouring countries. During the process of globalization the participation of female workers in paid labour increased, but the types of jobs they are recruited for are commonly less secure and less well paid. Their involvement in market work has doubled their work load, as men have been reluctant to take over responsibility for reproductive labour. Although gender-related wage differentials decreased, a pronounced gender wage gap still exists. Their role as providers of reproductive labour made them a primary buffer for the economic and social harm of the financial crisis, said Siegmann.

In many Asian countries with a few exceptions only, globalization – aggravated by the economic crisis during the last years – caused particular hardships for female workers.

- + Job insecurity increased and was accompanied by deteriorating pay
- + The introduction of more advanced technology and the concept of flexibility of labour often disadvantaged lowly skilled female workers thus reflecting the continued gender gap in education and leading to the fact that women get stuck in low-skill jobs
- + There were mass lay-offs and thus significant increases in unemployment, more and more often without any compensation
- + Enterprises were moved from industrial centres and capitals to remote provinces to profit from lower wages in the countryside
- + Parts of production were outsourced to small contracting and subcontracting companies which are not covered by labour and social security laws
- + Permanent work places thus were turned into insecure temporary workplaces
- + In consequence the informal sector was rapidly growing with ever decreasing earnings and increasing competition causing a new run down to the bottom

One could argue that such negative developments hit the male work force in the same way as the female workers. However, the presentation by Wanee B. Thitiprasert, Committee for Asian Women, and many contributions by participants from various Asian countries gave sufficient proof through well founded statistics and concrete examples that female labour suffered far more from these negative impacts than the male labour force. It became indeed obvious that female workers nearly always loose as the first and win as the last.

The changing situation of the informal economic sector was highlighted again in another session of the conference. The term “informal sector” was defined as: workers who are not working in formal employment and thus normally are not covered by labour protection and social security laws. It includes workers who are self-employed or are micro entrepreneurs. Statistics on the size of the informal sector, the number of people engaged there and their contribution to the gross national product are mostly based on rough estimates, as long as these topics show up in statistics at all. The work force is not unionized and hardly organized in its own initiative in other forms. There are only sporadic government-run development programmes for the informal sector, and only a few nongovernmental support programmes exist on a small scale.

Yet the informal sector is an important economical and social factor. The workers engaged in its field are the majority in many if not most developing countries in the Asian region. In Thailand for instance they are estimated as two-thirds of the labour force, or not less than 20 million workers including the agricultural sector, according to Rakawin Lee, Coordinator of Homenet Thailand.

Is the Informal Sector Endangered by Economic Globalization?

If in the informal sector working conditions were predominantly miserable and levels of income were usually low before the impacts of globalization and before the following economical crises were felt, the situation became worse and often dramatic since. Fast growing retrenchment of labour in the formal sector pushed high numbers of workers into the fast growing informal sector and thus increased competition there resulting in declining

incomes. Additionally, decreasing wages and profits in the formal sector and thus declining purchasing power caused slacker demand for goods and services of the informal sector. At the same time not only costs of living but also costs of production were rising. Last but not least costs for basic goods as electricity, water, oil, transport etc. went up, partly when former government subsidies had to be lifted or former public companies had to be privatised because of austerity programmes decreed as loan conditions by the International Monetary Fund or other international financial institutions. However, increased production costs in the informal sector cannot be compensated by higher prices for its goods and services due to more intense competition and declining purchasing power as mentioned above. The informal sector, formerly a last resort for the poor, is endangered and may turn to become a dead end that no longer guarantees survival in human dignity.

### Pressure on Social Safety Nets, Retooling for Adjustment

Traditional social safety nets in the countries of the Asian region – as provided by the family, the neighbourhood, the community, in some countries the tribe – undoubtedly became weaker or dissolved over the last decades. Migration to the cities, increasing flexibility of the work force, relaxation of obligations between the old and young generation or changes of value systems in general caused, among other factors, a loosening of these safety patterns. The old and the sick people, the unemployed, widows with many children, children longing for better, but unaffordable schooling are left behind.

Governments have gradually, and be it only as a starting point or just for the better-off parts of the society, established public social safety institutions or encouraged private organizations pertaining to health care, unemployment, old age pensions, or education.

And again undoubtedly economic globalization with its social outgrowth has accelerated the dissolution of traditional social safety nets. The above mentioned factors of social change became more powerful and widespread. The Asian economic crisis hit public social safety nets soon after they had been introduced, as Dr. Bernd Schramm, an expert of the German Technical Cooperation (GTZ) explained. “Tighter constraints on government expenditures reduce the prospect for low and middle income countries to expand their social protection systems to the unemployed and the poor people. Even worse, the pressure on state budgets and the policies of IMF and World Bank have induced many governments to introduce user fees for primary education and health care services with detrimental effects on accessibility and equity.”, Schramm said.

Then he quoted from a study done by the Center for Economic Policy Research in Washington. The study compared the last 20 years of globalization (1980-2000) with the previous 20 years (1960-1980) and included as indicators: the growth of income per person, life expectancy, mortality among infants, children and adults, literacy, and education. The result is disappointing, Dr. Schramm stated. For economic growth and for almost all the other (social) indicators, the last 20 years have shown a very clear decline in progress as compared with the previous two decades. Contrary to neo-liberal thinking, the unprecedented increase of the cross-border flow of capital, goods, know-how, technologies and services has not been an overall success at all. There is a broad decline in progress in the areas of economic growth, health outcomes, or other social indicators for which the structural and policy changes implemented during the last two decades seem to be at least partly responsible.

Dr. Schramm then elaborated about what realistically can be done to remedy the deteriorating situation of social safety nets. He referred to the respective experiences in Europe in the past and present, but also to ongoing pilot projects in the Philippines which give new hope that providing health insurance to poor people is feasible.

The contributions during the following discussion with many examples and additional analyses confirmed the bleak picture of eroded social safety networks in the region, but also expressed a certain scepticism towards transferring solutions found in Europe, as those are based on comparatively wealthy societies. Solutions for the utterly poor masses in Asian countries, e.g. the huge work force in the informal sector, possibly need different approaches, involving also public services and subsidies to a certain extent.

### Formation of Dual Economic and Social Structures

Dual economic and social structures are not a new phenomenon. History teaches us that such dual structures prevailed in Europe up to the end of the 19<sup>th</sup> century, and that Japan is facing the aftermath of dual structures until our days. Dual structures have become more pronounced in many Asian countries. On the one hand: large cities and industrial pockets with modern industries and services; a labour force earning comparatively high wages; having good working conditions, fringe benefits, relative stability of employment; enjoying some opportunity for advancement; is often organized in trade unions; attends some vocational training and retraining; and is in the position to offer their children decent education. Not all of these factors apply in all enterprises, and certainly work places in the modern enterprises of the formal sector are not workers' paradise.

However, on the other hand: small scale industries and services, and the growing informal sector; low wages, sometimes irregularly paid or earned, and often struggling with survival; miserable working conditions, frequently unhealthy work places; no social security in terms of health, accident and unemployment insurance; unsafe and irregular employment; hardly chances for advancement; trade unions not existing or not accessible; no opportunity for vocational training; not in the position to offer their children more than basic school education, and frequently not even this.

Globalization and with it the accelerated inflow of foreign investment and technologies is supporting mainly the formal modern sector of industries and services. But they do not only create new and highly paid workplaces, they also favour rationalization, mechanization and automation of production and thus lead to retrenchment of labour and push less modern enterprises out of business. Whether or not the promised net gains of work places will become true in the future is an open question.

Contributions by Dr. Vibhuti Patel from the University of Mumbai in India, and by participants characterized the situation even in harsher words: Co-existence of high wage islands in the sea of a pauperised working class has enhanced human misery and social conflict in the context of massive reductions in the welfare budgets of the nation states in South Asia and South East Asia. With rising ethnic and communal tension jeopardising economic activities, the visible and invisible underground extra-legal economy seems to be expanding. Massive urban unemployment and rural underemployment and disguised unemployment have resulted in social tensions in terms of ethnic and religious chauvinism in several Asian countries. Incidents of economic crimes have risen drastically.

However, there are also leading forces in the primary sector of industry and services who are aware of these conflicts and are preparing to remedy the dramatic situation. Christopher Ng, Regional Secretary, Union Network International - Asia and Pacific Regional Organization (UNI-APRO), stated: “However, to fulfil its historical role, the trade union movement must be revitalized. The narrow business approach of focussing on negotiating for some select members, which is the practice in some unions, has isolated unions from society and even working people. It has also weakened the spirit of solidarity among working people. The new generation of trade unions will have to be more than service organizations, concerned with just bread and butter issues for their declining members. They need to have a wider social vision and extend their agenda to include issues affecting workers outside the workplaces and of broad societal concerns. The trade union movement must become a movement for social change. Only in this way can the trade union movement acquire the strength – derived from committed support of all workers and segments of society – to influence economic and social changes and manage the myriad challenges in a network economy.”

Dr. Surin Pitsuwan MP, Member of the World Commission on the Social Dimension of Globalization, and Mr. Padmanabha Gopinath, Executive Secretary of the World Commission, stated in the closing session that this conference has contributed in a great way to the future work of the World Commission. Insights and experiences offered by participants and resource persons – derived from confrontation with the respective challenges in their daily practical work, or from their research work – will be taken up by the World Commission during its future deliberations. Therefore, participants are also invited to keep contact with the Commission, to submit further information and suggestions, or to inform themselves about the activities of the Commission.

*This report was written by Dieter Bielenstein, Advisor to the Friedrich-Ebert-Stiftung and Secretary of the Conference, based partly on a preliminary report by Rita Patiyasevi, Freelance Journalist in Bangkok. January 15<sup>th</sup>, 2003*