Globalization and Research Priorities for Labour Markets in Southeast Asia

Elizabeth Morris
Senior Labour Market and Human Resources Policies Specialist
ILO Sub-regional Office for East Asia
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“For some, globalization has been an instrument for progress. It has created wealth, expanded opportunities and provided a nurturing environment for entrepreneurship and enterprise. But for others it has exacerbated inequalities and insecurity. They fear that the risks are too great and the benefits are too small.” “Globalization has to deliver what working people and their families everywhere aspire to – a decent job, security and a voice in the decision-making process. People want a better shot at the gains that globalization is meant to deliver. This means access to much better opportunities for decent work, and promoting development with social justice in the context of open economies and open societies.”

Juan Somavia
Director-General
International Labour Organization

1 Globalization and decent work

While for some the opening of national economies to international competition through trade and investment as well as information and communications has generated income and improved welfare, for others the process of globalization has been a source of persistent inequality and social exclusion. Globalization is changing the distribution of power and gains and has raised questions about legitimacy and sustainability. Inadequate attention to the human side of globalization has created a gap in understanding its impact on life and work. A focus of insecurity is a concern about jobs. In many countries unemployment rates mask widespread underemployment. The working poor are largely invisible in official statistics. Billions of women and men do not have work that taps their individual creativity and utilises their productive potential. For the most part women’s work remains undervalued and uncounted.

The World Commission on the Social Dimension of Globalization was launched by the ILO to promote an international dialogue to examine ways in which all international organizations can contribute to a more inclusive globalization process. The social dimension refers to the impact of globalization on the life and work of women and men and on their families and societies. It covers working conditions, income opportunities and social protection. Beyond the world of work the social dimension encompasses society, culture and identity. It includes the cohesiveness of families and communities.

1.1 Global picture

“Balance Sheet”

The 1995 Copenhagen Declaration and Programme of Action noted that globalization opens new opportunities for growth and development, but at the same time change and adjustment have been accompanied by intensified poverty, growing unemployment and social

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disintegration. Thus, the key challenge is to manage these processes and threats so as to enhance the positive benefits and mitigate the negative effects upon people.³ It is clear that the forces that drive globalisation are here to stay. It is equally clear that changes in policies are required to restore the credibility of the process. This effort has been described as putting a human face on the global economy. Amartya Sen, speaking before the International Labour Conference in 1999, pointed out that, “The first flush of globalization is nearing its completion, and we can begin to take a scrutinised and integrated view of the challenges it poses as well as the opportunities it offers. The process of economic globalisation is seen as a terrorising prospect by many precariously placed individuals and communities, and yet it can be made efficacious and rewarding if we take an adequately broad approach to the conditions that govern our lives and work. There is need for well-deserved action in support of social and political as well as economic changes that can transform a dreaded anticipation into a constructive reality.”⁴

Rapid change

Expansion of trade together with movements of capital, technology and labour across borders are not new phenomena. However, the globalization process is significantly faster than in previous periods. It has intensified with opening and integration of markets. Growth of world trade has outstripped growth of world output. Between 1990 and 1998 world exports increased by 66 per cent, while world GDP rose by 16 per cent.⁵ Over the period 1950 to 2000 global exports increased three times more than global GDP. The total flow of foreign direct investment increased from US$192 billion in 1990 to US$400 billion in 1999. Costs of transport and communication have fallen. Capital flows have surged. Technological innovation and political reform have contributed to rapid change.

Intensified competition

The pace of globalisation has accelerated with liberalisation of international trade and integration of world markets. Lowering economic barriers has opened enormous opportunities for multinational enterprises with a dramatic increase in mergers and acquisitions across borders rising tenfold between 1988 and 2000.⁶ Since 1998, 103 countries have offered concessions to foreign corporations such as tax holidays, direct subsidies and special exemptions on import duties.⁷ “There is growing concern that an incentives war to attract highly mobile foreign investors able to switch production easily between countries could lead to a race to the bottom with respect to fiscal competition and environmental or


⁵ Exports measured in volume terms. UN ESCAP: Development through globalization and partnership in the twenty-first century: An Asia-Pacific perspective for integrating developing countries and economies in transition into the international trading system on a fair and equitable basis (New York, 2000), Table 1, p. 9.


labour standards.” Parent firms and foreign affiliates of multinational enterprises now account for one-third of world trade and one-fourth of world output. Multinationals lead the way in disseminating new management techniques and innovative production processes. In many cases, they are key links between producers in the developing world with consumers in industrialised countries. Increased competition and accelerated change have resulted in both winners and losers in the global economy.

Information revolution

Technological progress in the past decades has led to major changes in industrial organization, location and competition. Information and communication technologies (ICT) have reduced costs of production and increased speed of communications. The result is systemic innovations in both product markets and financial markets with dramatic impacts on employment patterns and skill requirements. There has been an explosive growth of Internet communications and electronic commerce. It is likely that ICT will result in “flatter” organizations and greater outsourcing. A significant effect of the technological revolution is the substantial reduction of staff involved in supervising and recording the work process. Instead of breaking tasks down into repetitive processes as outlined by Adam Smith and used in “Fordian” processes, the workplace relies on initiative and choice that require flexibility and teamwork. Developments are expected to have important implications for women and men, households and firms, workers and employers, public sector and private institutions, industrial relations and social dialogue. Dynamic changes are expected to affect product cycles, business opportunities and job quality. An important concern will be the way in which new technologies affect gender concerns and income inequalities.

1.2 Global impact

Differential patterns

The benefits of globalization have not been evenly distributed between and within nations. There is wide divergence among countries with respect to expanding international trade, attracting foreign investments and using new technologies. Differential impacts on regions, countries, sectors and communities have resulted in the inclusion of some and the exclusion of others from opportunities. World exports of goods and services increased from US $4.7 trillion in 1990 to US$ 7.5 trillion in 1998. Yet exports declined in Cameroon, Jamaica and Ukraine. In 1998 least developed countries with 10 per cent of the world population accounted for only 0.4 per cent of global exports – down from 0.6 per cent in 1980 and 0.5 per cent in 1990. Sub-Saharan Africa’s share decreased to 1.4 per cent – down from 2.3 percent in 1980 and 1.6 per cent in 1990. Foreign direct investment (FDI) flows have increased dramatically, but 83 per cent is concentrated in 20 countries. The top ten recipients of FDI accounted for 75 per cent of annual flows to developing countries in 2001. Disparities within the Asia and Pacific region are reflected in disproportionate amounts of

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FDI going to China, Singapore, Thailand, Republic of Korea and Malaysia.\textsuperscript{11} By 1998 more than one-fourth of all people living in the United States were Internet users. The average for Sub-Saharan Africa was 0.1 percent.\textsuperscript{12} Economies in Africa have become marginalised and excluded by the process of globalization. Increased hardship, insecurity and anxiety worldwide have fuelled a global backlash.\textsuperscript{13} In 2002 the United Nations Conference on Trade and Development (UNCTAD) estimated that 81 per cent of the population of the least developed countries live on less than US$ 2 per day and 50 per cent on less than US$ 1 per day.\textsuperscript{14} Over the past few decades inequality within and between counties has grown. The gap between the richest fifth and poorest fifth of countries increased from 30 to 1 in 1995 to 74 to 1 in 1999. The poorest countries are caught in a poverty trap.

Increased vulnerability

Developing countries are concerned about increased vulnerability to international shocks especially when export bases are very narrow. Free capital mobility also increases the volatility of interest rates and exchange rates together with the size and direction of short-term capital flows. The integration of capital markets means that a crisis in one economy can trigger global economic instability requiring rapid economic adjustment.\textsuperscript{15} The Asian economic crisis demonstrated the ease with which the benefits of economic growth can be quickly replaced with the consequences of plummeting output. In a world of rapidly shifting comparative advantage, firms that are unable to adapt and innovate are unable to survive.

Social costs

The Director-General of the International Labour Office has pointed out that while the direction of causation is not always established, globalization has been accompanied by problems in the world of work. “In many countries increased global competition has led to job losses which have often been concentrated in particular industries and communities, thus magnifying their negative impact in media depictions. At the same time, the compensating mechanisms promised through market forces, namely the creation of new jobs and the smooth redeployment of displaced workers to these, have often been weaker and slower than anticipated. In these circumstances the overall employment situation has deteriorated. In many developing countries without systems of unemployment insurance or adjustment assistance to workers, the social pain of these labour market developments has been

\textsuperscript{11} Just 13 per cent of countries in the Asia and Pacific region received 84 per cent of the gross inflows of FDI in 1998. See Annex 1.


\textsuperscript{15} ILO: Your Voice at Work: Global report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, Report of the Director-General to the International Labour Conference, 88\textsuperscript{th} Session, Report I (B) (Geneva, 2000), p. 17.
particularly acute. In addition, hundreds of millions of the working poor and their families on the margins of developing country labour markets, are largely bystanders rather than participants in the growth of the world economy.\textsuperscript{16}

**Social consciousness**

Changes in technology and production have led to shifts in social consciousness and awareness of human rights. Societies no longer accept that global corporations are bound by the laws of countries within which they operate. Global responsibility to uphold human rights must be tied to global influence. There has been a proliferation of voluntary codes of corporate conduct, although they are weak insofar as they rarely refer to internationally agreed standards such as the ILO core Conventions and they generally lack mechanisms for implementation, monitoring and audit. An encouraging initiative is a “Global Compact” between the United Nations system and the world business community in which the private sector is encouraged to support core values associated with human rights, labour standards and environmental issues.\textsuperscript{17} Consumer choice can also influence production choices, influence market outcomes and affect corporate reputations.\textsuperscript{18}

**2 Key issues for policy research**

Among other priorities for further research on labour markets and employment issues are the following challenges: persistent poverty, flexible employment, the informal economy, labour mobility, insecure livelihoods, gender inequality and youth employment.

**2.1 Persistent poverty**

Research and policy on poverty should focus on the links between employment and poverty. The ILO believes that while macroeconomic policies for economic growth are necessary for poverty reduction, explicit measures must be taken for employment promotion and social protection. Tripartite participation in poverty reduction should proceed on several fronts. The world’s labour force is increasing by about 50 million people each year as the number of new entrants exceeds those who stop working. Developing countries account for 97 per cent of this increase. About half of the over 1 billion people living on US$ 1 a day or less in developing and transition countries are of working age between 15 and 64. Despite what are often long days of toil, they do not earn enough for themselves or their families to live about bare subsistence levels.\textsuperscript{19} Significant inequality as well as absolute poverty can also be tied to “deficits” decent work. Inequality divides societies, provokes instability and threatens growth. Research on the links between underutilisation of labour – unemployment and underemployment – and poverty can draw attention to the solutions as well as the challenges.


\textsuperscript{17} The web site is http://www.unglobalcompact.org.

\textsuperscript{18} ILO, Decent Work, Report of the Director-General to the International Labour Conference, 87\textsuperscript{th} Session 1999 (Geneva, 1999), p. 2.

of moving workers into productive employment. In this regard it would be useful to examine the dynamics of life and work among the poor. Among the key issues in the ILO Director-General’s report on *Working out of poverty* are: skills development for sustainable livelihoods, investing in jobs and community, promoting entrepreneurship, making money work for poverty reduction, building local development through cooperatives, overcoming discrimination, working to end child labour, ensuring incomes and basic social security and working safely out of poverty.\(^{20}\)

### 2.2 Flexible employment

New technologies encourage decentralised production. Increasingly, jobs are out-sourced and sub-contracted as enterprises seek greater flexibility and lower costs. Decentralised processes also enable enterprises to avoid trade unionism and labour conflicts. While globalization did not create flexible work, it contributes to its development through network enterprise that promotes a diversity of contractual arrangements between capital and labour. The numbers of full-time, career-seeking and long-term employees have fallen. Restructuring and downsizing have resulted in more fixed-term contracts, part-time work and sub-contracting arrangements. Temporary help, on-call workers and self-employment are increasing. Flexible work patterns affect employment relations making it more difficult for collective representation. Work once considered “atypical” is now becoming “typical.” These changes undermine freedom of association and the inherent rights of collective bargaining.

### 2.3 Informal economy

Globalization is also related to the growing importance of the informal sector in providing employment opportunities. In many cases informal work is a survival strategy. Restructuring of formal sector enterprises in market economies and state-owned enterprises in transition economies has resulted in a proliferation of activities in the informal economy. The proportion of urban employment in the informal sector is about one-third in Asia and the Pacific, three-fifths in Africa and two-fifths in Latin America.\(^{21}\) The ILO estimates that large proportions of new jobs are being created in the informal economy. Workers in informal activities generally face greater insecurity and have less protection than other workers. The unfortunate result can be the social marginalisation of informal workers. Informal economy workers are generally unrecognised, unrecorded, unorganized, unrepresented, unregulated, unregistered and unprotected.

Work in the informal economy is characterised by low levels of skill and productivity, low or irregular incomes, long working hours, small or undefined workplaces, unsafe and unhealthy working conditions, and lack of access to information, markets, finance, training and technology. While many workers in the informal economy are visible in jobs along the streets of cities, towns and villages in developing countries, others work out of view in shops and workshops. The least visible are those who produce goods from their homes. Other categories of informal work are casual workers in restaurants and hotels, subcontracted employees of


\(^{21}\) These are rounded off from data in ILO: *Key Indicators of the Labour Market 1999* (Geneva, 1999).
firms such as janitors and guards, casual workers and day labourers in agriculture and construction and temporary office workers and off-site data processors.  

2.4 Labour mobility

The global economy involves flows of labour services as well as capital and technology. Both internal movement and international migration have accompanied changing economic structures and comparative advantage in a global economy. For decades the movement of labour has accompanied changes in production from agriculture to industry and services with migration from rural areas to urban centres and industrial zones. Forces of globalization as well as growth in incomes have contributed to structural and rural-urban migration. Many low-income families have a foot in labour markets in both the countryside and city. In some cases casual labourers in urban areas return to rural areas for seasonal work in agricultural activities. In other cases they maintain links through remittances sent to support families working on farms. Migration contributes to rapid growth of urban settlements and the informal economy.

In recent years international labour migration in Asia has changed in scale and scope. It is estimated that 20 million Asians work outside their country. While almost half have found jobs in the Middle East a growing number are moving to other Asian countries. Although the movement of workers in search of employment is often seen as a transitory phenomenon in response to temporary shortages or surpluses of labour, there is evidence to indicate that migration is firmly entrenched in the economic, social and political systems of the regions. A number of factors suggest that migration is here to stay. One is the demographic situation with wide differentials between the ageing labour force of high-income countries and the expanding working population in low-income countries. Wage gaps and segmented markets contribute to labour migration. Social networks have facilitated the movement of women and men to high-income countries. Vested interests of recruitment agencies and migration intermediaries point to continued patterns of migration flows. Sending countries depend on foreign exchange from migrant remittances. “These and other forces have meant that international labour migration is not only significant in the economies of Asia in the early years of the twenty first century but indicates that this importance will increase over the next few decades.”

Delegates to ILO Regional Tripartite Meeting on Challenges to Labour Migration Policy and Management in Asia held in Bangkok during 30 June - 2 July 2003 concluded, “Globalization, the integration of regional economies, and conflict have added impetus to the growing mobility of workers across borders. In Asia the movement of labour is becoming an important and enduring phenomenon associated with economic growth and development since it eases skill imbalances in labour markets and provides broad cultural and economic benefits for sending and receiving countries. Migrant remittances, for example, are now a valuable and stable source of foreign exchange to many origin countries. At the global level, the importance of migration to development is now reflected in the fact that it has become a


part of the agenda of multilateral institutions.” Participants noted that “While market forces are driving labour migration, there are several signs of market failure associated with its related processes. A number of risks have been associated with migration including racism and xenophobia, trafficking and forced labour, recruitment malpractices such as fraudulent job offers and exorbitant placement fees, debt bondage, sexual and physical harassment, employment in hazardous jobs, and under or non-payment of wages. Experience suggests that state intervention by sending and receiving countries through transparent, efficient, and appropriate regulatory institutions and measures are essential to the efficient and equitable working of the labour market.”

2.5 Insecure livelihoods

With more workers exposed to unemployment and underemployment the threat of income insecurity without social protection adds to the dehumanising aspects of the global economy. “It is absolutely clear that a very large proportion of the population in most regions of the world does not enjoy any social protection or is covered only very partially. This is the case for the vast majority of people in developing countries, and even in some of the richest industrialised countries there are large gaps in social protection. Precise measurement of the problem is not easy. What is clear from the figures available is that a high proportion of the workforce (typically 80 per cent or more) is covered in industrialised countries, usually for a wide range of contingencies, while in many countries of Africa and Asia a very small minority (less than 10 per cent) is covered, usually for a more restricted range of contingencies.”24 Given the frequent job changes and inadequate social security further research is needed on the potential links between employment promotion and social protection in a global economy.

2.6 Gender inequality

There is a gender dimension to global changes in labour markets in both the informal sector and formal economy. Women face increasing insecurity and growing poverty in jobs that are unorganised and unprotected. Relatively large numbers of women are in casual employment, temporary work and informal jobs as well as in part-time employment and under sub-contract arrangements. Many are employed as paid homeworkers and home-based workers. They more likely to be without job tenure and labour protection. Even when women are employed in the formal sector producing manufactured goods for export purposes, they are more likely to be in unskilled jobs without contractual agreements. It would be useful to know more about segmentation and discrimination in labour markets of Southeast Asia.

Young women find it more difficult to find decent work than young men. The transition from school to work is generally more difficult. Yet increasing numbers are entering the workforce out of necessity as well as choice. Many working women in developing economies are employed in the informal economy where they are more likely than male counterparts to be in jobs with lower remuneration and little security such as street vending and home-based work. Women seeking to set up their own businesses face barriers with respect to ownership of assets and access to credit. As employees women are generally paid less than men. While women’s participation in economic activities is growing, they still take on a disproportionate share of unpaid work including child care and household responsibilities. In balancing work

and family women often interrupt their participation in the labour force with the result that they are disadvantaged in terms of social security, lifelong learning and continuous training.25

2.7 Youth unemployment

More than 1 billion of the world’s population is between 15 and 24 years of age. About 100 million young people enter the global workforce each year. The transition from school to work and from childhood into adulthood can be crucial in determining future opportunities for decent work. In many developing countries youth face a choice of informal work or no work. According to ILO estimates about 41 per cent of the 180 million counted as unemployed are youth. Young people are two to three times more likely than adults to be unemployed. Young women are often more likely than young men to be out of work looking for jobs. Youth with low levels of education and skills are especially disadvantaged. Young workers are particularly vulnerable to business cycles being “last hired and first fired.” The worst affected are the poor. The costs of youth unemployment are extremely high – economic, social and political – contributing to poverty, unrest and exclusion. Youth unemployment can lead to criminal activity and substance abuse. While the overall situation of economic growth and labour markets goes a long way to explain the situation of youth employment, targeted measures can be effective in moving young people into decent work.26

Of course, this list of priorities does not exhaust the areas where research is needed on the links between employment issues and labour markets and the process of globalization. Other topics are the worst forms of child labour, skills development for sustainable livelihoods, human capital and productivity growth, export processing zones and decent work opportunities, small enterprise development, global production chains, agricultural workers and rural communities, export production and job creation, local development through participatory processes, labour markets and governance issues, workplace safety and the HIV/AIDS threat are just a few of the other issues for policy research.

3 Research needs in Southeast Asia

Improved research on labour markets and employment issues will depend on information and analysis. Information and analysis of labour markets are essential for understanding key challenges to decent work in a global economy such as persistent poverty, flexible employment, the informal economy, labour mobility, insecure livelihoods, gender inequality and youth employment. Labour market information systems in Southeast Asia face various barriers. These include limitations with regard to the capacity to collect, process, store, update, analyse and disseminate labour statistics that are relevant and reliable. Greater efforts are necessary to combine qualitative sources with statistical data and information for informal activities and the formal economy. In many cases lack of commitment and resources for information and analysis impedes progress in conducting policy research. Better coordination is needed among producers and between producers and users of labour market information. Information systems generally suffer from inadequate assessment of the relevance and usefulness of the information that is compiled and disseminated.


3.1 Information

Even where researchers compile data for targeted populations in local areas it is useful to have national statistics to provide background information and an economic context. Labour market information consists is qualitative as well as quantitative. The former can be obtained from such sources as laws, regulations, reports, interviews, discussions and newspapers. It includes information about where to go for career counselling, skills development and job placement. Labour statistics are generally obtained from household surveys, establishment surveys and administrative records. In addition to the labour force survey other household-based surveys contain useful information on labour markets such as socio-economic surveys and household income and expenditure surveys. Some countries have multi-purpose household surveys and living standards measurement surveys. Establishment surveys are used to obtain information about wages and earnings, hours at work, labour turnover and other statistics. Key indicators provide a snapshot of trends that can point to future directions in labour markets. The ILO has developed a set of Key Indicators of the Labour Market (KILM). In addition it is developing a broader range of statistical measures for decent work to measure labour rights, employment promotion, social protection and social dialogue. To be useful labour market information should be timely, accurate and relevant.

3.2 Analysis

Despite the fact that improvements have been made in information produced in the region, effective policies would benefit from improved analysis. At the same time producers need feedback from users of labour market information. Several types of analysis include labour market signalling, labour market functioning and monitoring and evaluation of policies and programmes. Policy makers can benefit from the information and analysis included in research conducted by academic institutions, non-governmental organizations, community-based organizations and research institutes as well as government agencies. Within the government it would be useful for employment issues to be included in broad debates on the economic, social and political dimensions of globalization including growth, development and poverty.

4 Conclusions and recommendations

Globalization has brought with it new opportunities for jobs and income as well as possible exposure to poverty, unemployment and insecurity. The global economy has introduced rapid change, intensified competition and an information revolution. The process is characterised by differential impacts, increased vulnerability, social costs and social consciousness. Selected priorities for future research on labour markets in Southeast Asia relate to persistent poverty, flexible employment, the informal economy, labour mobility, insecure livelihoods, gender inequality and youth unemployment. Research would benefit from improvements in information and analysis. Various challenges for future research include commitment, resources, capacity, coordination and assessment for labour market information systems. Improvements in information and analysis can lead to a better understanding of the employment situation in the global economy. Among the issues identified by the Director-General for consideration by the World Commission on the Social
Dimension of Globalization are “more systematic data and information about globalization and its main characteristics” and better analysis of its impact on workers and enterprises.\textsuperscript{27}