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### **Changes in the world of work**

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The more things change, the more they remain the same. Perhaps at no time in the past century have changes in the world economy been so rapid, extensive and full of implications for people across the world. Yet, as global economic integration proceeds apace, and technological changes become ever more rapid, many of the basic conditions of work for the majority of people in the world have remained broadly the same, or have deteriorated rather than improved. After more than a decade of corporate globalisation which meant an increase in the power of international capital and a corresponding decline in the bargaining power of workers and the socio-economic rights of citizens, the early years of this century have experienced an acceleration of those adverse trends. Now, more than ever, work prospects and working conditions in local and national markets are crucially affected by international and national macroeconomic processes, even as they also remain determined by structural features of particular societies and economies. Meanwhile, millions of working men and women across the world, who were promised greater prosperity and opportunities through globalisation, find hardly any change in their conditions or changes for the worse.

#### *Global economic processes*

There are at least six recent processes in the international economy that have a direct bearing upon labour markets and work conditions in countries across the world. The first, and possibly the most important, is the fact that the world economy is operating substantially below capacity. The global unemployment equilibrium is actually getting more severe, because of the deflationary impulse imparted by the domination of finance capital and the inadequate role played by the US as "leader" of the world economy.

This is especially noteworthy because the US administration is otherwise exerting itself to impose newly aggressive and militaristic

imperialism upon the rest of the world. The US is not currently fulfilling its role (in the Kindleberger sense) of leader in the world economy to maintain stability. Such a role requires the fulfilment of three functions at a minimum: discounting in crisis; countercyclical lending to countries affected by private investors' decisions; and providing a market for net exports of the rest of the world, especially those countries requiring it to repay debt. The absence of discounting in crisis is not universal; there are countries that have received large bailouts orchestrated by the US Treasury and the IMF. But the spectacular collapse of Argentina, the bleeding of Sub-Saharan Africa despite impending large-scale famine, and the indifference to implosions in Eastern Europe and elsewhere, bear witness to the fact that the US administration does not see its responsibility to discount in crisis in terms of salvaging the larger system.

Similarly, countercyclical lending has been discouraged, as private finance (including portfolio capital) has been associated with creating sharp boom-and-bust cycles rather than mitigating them, and US policy has been geared towards protecting such behaviour rather than repressing it. Finally, while the US did play a crucial role as engine of world trade by running very large external trade deficits in the 1990s, that role has been much diminished after 2000. Indeed, even before then, the import surplus in the US reflected private investment-savings deficits, as the government's budgetary role became more contractionary.

Partly because of this inadequately accepted role of the leader, and partly because of the deflationary impulse provided by the greater mobility of finance capital, aggregate growth in the world capitalist system has been far below expectations, especially in the recent phase. It is now clear that the period has been associated with a deceleration of economic activity in much of the developed world, a continuing implosion in vast areas of the developing world including the continent of Africa, and a dramatic downslide in what had hitherto been the most dynamic segment of the world economy - East and Southeast Asia. These processes are reflected in rates of growth of world trade (in value terms) which have decelerated despite the enforced liberalisation of trade in most countries, as well as in declining rates of greenfield investment across the world. Even as most economies remain in the grip of recession or even the possibility of deflation, countercyclical or expansionary macroeconomic policies remain out of reach for governments

because of the combination of fear of the power of finance and the domination of the neoliberal economic policy approach.

Second, corporate globalisation has been marked by greatly increased disparities, both within countries and between countries. While there is - inevitably - a debate over this, most careful studies find increased inequality within and across regions <sup>1</sup> as well as a stubborn persistence of poverty, and a marked absence of the "convergence" predicted by apologists of the system. In addition, the bulk of the people across the world find themselves in more fragile and vulnerable economic circumstances, in which many of the earlier welfare state provisions have been reduced or removed, public services have been privatised or made more expensive and therefore less accessible. This has not only affected the socio-economic rights of citizens; it has also added to the problem of inadequate effective demand, and therefore contributed to recessionary tendencies worldwide.

Such inequalities are only likely to be intensified by the third process exemplified by recent patterns of international capital flows. For the last four years, there has been a net transfer of resources from the less developed countries to the developed North, and particularly to the United States. This peculiar, and even appalling, result indicates the way in which international flows of money increasingly reflect the international distribution of power, with private citizens and central banks of the developing world (especially in Asia) choosing to hold their savings and foreign exchange reserves in the safe havens of the North. The United States economy (and of course, US Treasury Bills in particular) remain the most favoured destination for investors across the world. But even the recent partial flight from the dollar has generally had the effect of strengthening European financial assets, rather than flowing to developing economies in need of such resources. Indeed, the paradox is such that the developing countries that could most profitably use these capital resources are imposing deflationary policies at home, which create excess capacity and inadequate demand, and which make export of capital appear to be more attractive. The United States attracted 70 per cent of the world's savings over the past two years; even after the supposed "revulsion" from dollar

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<sup>1</sup> Cornia, 2001; Milanovic 2002, etc. A more extensive survey of the literature on globalisation and inequality is available on [www.networkideas.org](http://www.networkideas.org).

assets in the past year, it continues to attract at least half of the rest of the world's savings.

The fourth feature is also related to the mobility of capital and the domination of finance. Developing countries in general, and semi-industrial "emerging markets" in particular, experience much greater economic and financial volatility because of their exposure to boom-and-bust cycles created by rapid and unsustainable capital flows of relatively large magnitudes. There is therefore much greater vulnerability to capital-account-driven external shocks, even as the role of domestic countercyclical macroeconomic policies has been greatly diminished by the fear of further capital flight and the hegemony of the neoliberal economic policy paradigm. By the end of 2001, it was estimated that there had been more than 67 currency crises in emerging markets over the previous decade. The only reason that such crises have been somewhat less in evidence since then, is because private capital markets have actually dried up vis-à-vis the developing countries, and net flows are no longer positive into most emerging markets. (India is of course currently an exception, receiving relatively large inflows of portfolio capital which are simply adding to the external reserves of the country and therefore extremely expensive for the government to allow.)

The fifth feature is the growing concentration of ownership and control in the international production and distribution of goods and services, and also among the agents of international finance. It is no secret that the decade of globalisation has been marked by some of the strongest and most sweeping waves of concentration of economic activity that we have known historically. Periods of high concentration are also periods of the intensification of competitive pressures. The intensification of competition in turn means that the "normal" tendencies of capitalist accumulation are sharpened and aggravated, including the pressure to find more and more means of reducing labour costs, for example. Concentration also involves the amalgamation or destruction of smaller capitals. The very process of the big swallowing up the small, at both national and international levels, tends to reduce employment. So the reorganisation and restructuring of production takes the form of the decline in importance of smaller more employment intensive manufacturing units and the growing dominance of large players which employ much fewer people. Associated with this are the well known

stagnationist tendencies of monopoly capital, which also tend to reduce employment indirectly through their effect on aggregate demand. Crises in emerging markets are typically associated with further concentration, as the attempt to resolve such crises within the basic neoliberal paradigm have involved further liberalisation and privatisation, thus allowing the sale of domestic business units to large multinationals.

One very recent feature deserves to be noted: the apparent breakdown of multilateralism. While the collapse of the WTO negotiations in Cancun has been ascribed to a group of developing countries, the truth is that the intransigence, refusal to admit past transgression and reluctance to negotiate on the part of developed countries was instrumental in creating the deadlock. The implementation of the 1994 GATT agreement and the functioning of the WTO have already been heavily skewed in favour of the interests of developed countries, particularly the United States. Nevertheless, The Bush administration has clearly shown that it has scant regard for international institutions, which it uses only when they explicitly serve its own immediate ends. The US government's attitude towards the WTO has been similar in that it has been unwilling to make even the smallest compromises to an international institution that has already been biased towards the US in its functioning. The current decline in multilateralism is likely to herald a period of greater uncertainty and fluidity in world trade, as well as a scramble for bilateral and regional deals and pressure for competitive devaluations. While this may appear to reduce the power of developing countries, it is worth remembering that in the past century, such periods in the world economy have been precisely those when today's semi-industrial economies could achieve some amount of autonomous industrialisation.

### *Changes in labour markets*

These broader changes in the international economy have also affected national and international labour markets. The most significant change is the increase in open unemployment rates across the world. By the turn of the century, unemployment rates in most industrial countries were higher than they had been at any time since the Great Depression of the 1930s. But even more significantly, open unemployment was very high in

developing countries, and have continued to grow thereafter, as Table 1 indicates. This marks a change, because developing countries have typically have had lower open unemployment rates simply because of the lack of social security and unemployment benefits in most such societies, which usually ensures that people undertake some activity, however low paying, and usually in the form of self employment. Therefore disguised unemployment or underemployment has generally been the more prevalent phenomenon in developing societies. The recent emergence of high open unemployment rates therefore suggests that the problem of finding jobs has become so acute that it is now captured even in such data, and may also herald substantial social changes in the developing world.

Table 1: Open unemployment rates  
(as per cent of labour force)

	2000	2001	2002
Industrial countries	6.1	6.4	6.9
Latin America and the Caribbean	9.7	9.6	9.9
Middle East and North Africa	17.9	18.9	18.0
Sub-Saharan Africa	13.7	14.0	14.4
Transition economies	13.5	12.6	13.5
Asia and the Pacific	3.8	4.1	4.2
Of which:			
East Asia	3.2	3.6	4.0
Southeast Asia	6	6.8	6.5
South Asia	3.4	3.5	3.4

Source: Global Labour Trends 2003, ILO Geneva

The Asian region typically has the lowest rates of open unemployment in the world, but even here, as can be seen from Table 1, these rates have been historically high and rising, especially in Southeast Asia. This extensive slack in labour markets across the world is a direct reflection of the global recessionary tendency that has already been discussed above, and all the evidence suggests that this slack has been increasing in recent years, as economies even in the developing world continue to operate far below potential. Furthermore, in most Asian countries, youth unemployment is particularly high.

In many Asian economies, moreover, underemployment continues to be the most significant concern. This is especially true in Southeast and South Asia. In Nepal, underemployment is officially estimated to be as high as half of the workforce, while in Indonesia and the Philippines, disguised unemployment is high and rising, especially in the informal sector.

Another very significant change in the recent past is the decline in formal sector employment. Once again, this is a trend which is spread across the globe and covers both developed and developing countries. In developing countries, this substantial reduction in the share of organised sector employment has been associated not only with increased open unemployment, but also the proliferation of workers crowded into the informal sector, and typically more in the low wage low productivity occupations that are characteristic of "refuge sectors" in labour markets. While there are also some high value added jobs increasingly in the informal sector (including, for example, computer professionals, and some high-end IT-enabled services) these are relatively small in number and certainly too few to make much of a dent in the overall trend, especially in countries where the vast bulk of the labour forces is unskilled or relatively less skilled. In turn, this has meant that the cycle of poverty-low employment generation-poverty has been accentuated because of the diminished willingness or ability of developing country governments to intervene positively for expanded employment generation.

The decline in employment elasticities of production is a tendency which is especially marked in developing countries. To some extent this reflects the impact of international concentration of production and export orientation, as the necessity of making products that will be acceptable on world markets requires the use of new technologies developed in the North and inherently labour-saving in nature. But what is interesting is the extent to which declining employment elasticities in developing Asia have marked all the major productive sectors, including agriculture. This is evident from Table 2, which describes the employment elasticity of GDP growth in the major productive sectors over 1990-2000 in the major economies of Southeast and South Asia. Agriculture is clearly no longer a refuge sector for those unable to find employment elsewhere - the data indicate low or even negative employment elasticity in this sector, reflecting a combination of labour-saving technological changes such as greater use of threshers and

harvesters, and changes in landholding patterns resulting in lower extents of the traditional small peasant farming, because of the reduced economic viability of smallholder cultivation across the region. The service sector, by contrast, seems to have emerged as the refuge sector in this region, except possibly in countries like Sri Lanka and India.

Table 2: Employment elasticities of GDP growth, 1990-2000

	Agriculture	Industry	Services
Indonesia	-0.43	0.76	1.23
Malaysia	-2.51	0.54	0.54
Philippines	0.04	0.57	0.9
Singapore	-	0	0.5
Thailand	-1.25	0.65	1.35
Vietnam	0.33	0.3	1.12
Bangladesh	0.21	-0.5	1.94
India	0.02	0.29	0.76
Pakistan	0.36	0.22	1.08
Sri Lanka	-0.94	0.16	0.22

Source: Global Labour Trends 2003, ILO Geneva

The emergence of global production chains is another very important feature of the recent past. These are not entirely new, and even the current chains can be dated from at least the 1980s. However, two major sets of changes have dramatically increased the relocation possibilities in international production. The first set includes technological changes, which have allowed for different parts of the production process to be split and locationally separated, as well as created different types of requirement for labour involving a few highly skilled professional workers and a vast bulk of semi-skilled workers for whom burnout is more widely prevalent than learning by doing. The second set includes organisational changes which are associated with concentration of ownership and control but also with greater dispersion and more layers of outsourcing and subcontracting of particular activities and parts of the production process.

Therefore, we now have the emergence of international suppliers of goods who rely less and less on direct production within a specific location and more on subcontracting a greater part of their production activities. Thus, the recent period has seen the emergence and market domination of

"manufacturers without factories", as multinational firms such as Nike and Adidas effectively rely on a complex system of outsourced and subcontracted production based on centrally determined design and quality control. This has been strongly associated with the increase in export oriented production in manufacturing in a range of developing countries, especially in textiles and garments, computer hardware, consumer electronics and related sectors. It is true that the increasing use of outsourcing is not confined to export firms; however, because of the flexibility offered by subcontracting, it is clearly of even greater advantage in the intensely competitive exporting sectors and therefore tends to be even more widely used there.

Much of this outsourcing activity is based in Asia, although Latin America is also emerging as an important location once again. Such subcontracted producers in turn vary in size and manufacturing capacity, from medium-sized factories to pure middlemen collecting the output of home-based workers. The crucial role of women workers in such international production activity is now increasingly recognised, whether as wage labour in small factories and workshops run by subcontracting firms, or as piece-rate payment based homeworkers who deal with middlemen in a complex production chain.

Finally, there is the very significant effect of international migration, in determining changes in both national labour markets and macroeconomic processes within home and host countries. In Latin America, migration is a response to the lack of productive employment opportunities within the country - at least 15 per cent of the labour force of most Central American countries (in particular El Salvador, Guatemala and Honduras) is estimated to be working in the United States, mostly in underpaid, oppressive and precarious jobs. Migration flows are especially marked for Asia over the past two decades, and within the broad Asian region. South Asian migrant workers in the Gulf and West Asia have contributed huge flows of remittance income which have stabilised the current account in India and Bangladesh, for example. Within Southeast Asia, Thailand is host to approximately 890,000 migrant workers, while Malaysia is estimated to have more than 900,000 on official count. In Singapore, fully one quarter of the workforce is comprised of migrants. Typically of course, such migrants are used for the 3-D jobs ("difficult, dirty and dangerous") as well as in mainly

unskilled sectors. In Malaysia, for example, 70 per cent of the unskilled construction workers come from Indonesia. What is noteworthy about Asian migration is the significant role played by women migrants, especially from the Philippines but also from other parts of the continent. It should be noted, of course, that the line between voluntary migration and trafficking is often quite thin.

### *Emerging processes*

There are a number of important processes currently at work, which will shape national, regional and international labour markets in the near future. The first is a process that is still unfolding, and is likely to have possibly seismic effects on patterns of work across the world - the demographic shifts and consequent imbalances in population structure as between industrial and developing countries. The aging population structure of most industrial societies, and even some developing countries in the western hemisphere, implies that by the next decade of this century, many activities will effectively have to be outsourced to other regions, whether through labour migration or through devices made possible by new technology, such as IT-enabled services. By 2010, it is estimated that nearly 60 per cent of the world's labour force will be in Asia, which still has a dominantly young population. This is surely likely to have profound implications for patterns of development and for labour markets, which are still inadequately comprehended.

The current crisis in developing country agriculture, and the growing problems of even subsistence farming, are also likely to have major implications not only for the present, with agrarian crisis now becoming a standard feature of most developing economies, but also for the future. It is in this context that the overall inadequacies of employment generation in other sectors become even more problematic. The breakdown of traditional Lewis-type mechanisms of moving labour from agriculture to other more dynamic sectors, in a context in which global integration of distorted agricultural markets is making even traditional subsistence cultivation difficult if not unviable, are likely to make the issue of employment the single most important social issue in almost all developing societies in the near future.

Two other issues, which have recently attracted a lot of discussion, deserve to be considered in more detail. The first relates to the perception widespread in the North, that manufacturing jobs are being exported from North to South. The second is the issue of feminisation of work, especially export-oriented work, in the developing world.

The past decade has seen a significant shift in the structure of international manufacturing production, such that developing countries now account for nearly a quarter of world manufacturing goods exports, up from just over one-tenth two decades ago. Such relocation, which in turn is generally supposed to imply a net loss of manufacturing jobs in the North and a net expansion of such jobs in the South, has been seen as being driven by both by the movement of capital, as multinational companies in particular move to areas characterised by cheaper labour, and by trade liberalisation which has allowed manufactured goods produced in Southern locations to penetrate Northern markets.

In actual fact, however, there is little evidence of the "export" of manufacturing jobs.<sup>2</sup> The vast majority of developing countries have experienced very substantial losses in manufacturing employment as a result of the liberalisation of trade and financial markets. Even the top 13 developing country exporters (excluding China) do not show increases in manufacturing employment. So, while such jobs may have declined in the North, they have not increased commensurately in the South, even in the group of most dynamic developing country exporters. This is because trade liberalisation has meant loss of many manufacturing jobs in developing countries to imports, even as some jobs may have increased through exports, and because technological changes in both North and South have given rise to low and declining employment elasticities of manufacturing production. These factors in turn stem from a larger process of national and international concentration of production, intensification of competitive pressure and the greater power of large capital. These have accelerated the adoption of labour-saving technology, encouraged flexible labour market practices, adversely affected small manufacturing enterprises, and induced a deflationary policy bias into most economies. All of these have impacted adversely on employment, leading to the "disappearance" of manufacturing

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<sup>2</sup> This argument is developed and substantiated in Ghosh "Exporting jobs or watching them disappear? Relocation, employment and accumulation in the world economy", in Ghosh and Chandrasekhar (eds) *Work and well-being in the age of finance*, Tulika Books 2002.

jobs, rather than their exports.

The other very common perception relates to the fact that the increasing importance of export-oriented manufacturing activities in many developed countries has been associated with a much greater reliance on women's paid labour. This process was most marked over the period 1980 to 1995 in the high-exporting economies of East and Southeast Asia, where the share of female employment in total employment in the Export Processing Zones (EPZs) and export-oriented manufacturing industries typically exceeded 70 per cent. It was also observed in a number of other developing countries, for example in Latin America in certain types of export manufacture.

Women workers were preferred by employers in export activities primarily because of the inferior conditions of work and pay that they were usually willing to accept. Thus, women workers had lower reservation wages than their male counterparts, were more willing to accept longer hours and unpleasant and often unhealthy or hazardous factory conditions, typically did not unionise or engage in other forms of collective bargaining to improve conditions, and did not ask for permanent contracts. They were thus easier to hire and fire at will and according to external demand conditions, and also, life cycle changes such as marriage and childbirth could be used as proximate causes to terminate employment. Another important reason for feminisation was the greater flexibility afforded by such labour for employers, in terms of less secure contracts. Further, in certain of the newer "sunrise" industries of the period such as the computer hardware and consumer electronics sectors, the nature of the assembly line work - repetitive and detailed, with an emphasis on manual dexterity and fineness of elaboration - was felt to be especially suited to women. The high "burnout" associated with some of these activities meant that employers preferred work forces that could be periodically replaced, which was easier when the employed group consisted of young women who could move on to other phases of their life cycle.

The feminisation of such activities had both positive and negative effects for the women concerned. On the one hand, it definitely meant greater recognition and remuneration of women's work, and typically improved the relative status and bargaining power of women within households, as well as their own self-worth, thereby leading to

empowerment. On the other hand, it is also true that most women are rarely if ever "unemployed" in their lives, in that they are almost continuously involved in various forms of productive or reproductive activities, even if they are not recognised as "working" or paid for such activities. This means that the increase in paid employment may lead to an onerous double burden of work *unless* other social policies and institutions emerge to deal with the work traditionally assigned to (unpaid) women.

Given these features, it has been fairly clear for some time now that the feminisation of work need not be a cause for unqualified celebration on the part of those interested in improving women's material status. However, it is now becoming evident that the process of feminisation of labour in export-oriented industries may have been even more dependent upon the relative inferiority of remuneration and working conditions, than was generally supposed. This becomes very clear from a consideration of the pattern of female involvement in paid labour markets in East and Southeast Asia, and more specifically in the export industries, over the entire 1990s. What the evidence suggests is that the process of feminisation of export employment really peaked somewhere in the early 1990s (if not earlier in some countries) and that thereafter the process was not only less marked, but may even have begun to peter out. This is significant because it refers very clearly to the period *before* the effects of the financial crisis began to make themselves felt on real economic activity, and even before the slowdown in the growth rate of export production. So, while the crisis may have hastened the process whereby women workers are disproportionately prone to job loss because of the very nature of their employment contracts, in fact the marginal reliance on women workers in export manufacturing activity (or rather in the manufacturing sector in general) had already begun to reduce *before* the crisis.<sup>3</sup>

The reversal of the process of feminisation of work has already been observed in other parts of the developing world, notably in Latin America. Quite often, such declines in female share of employment have been found to be associated with either one of two conditions : an overall decline in

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<sup>3</sup> This argument is provided in more detail in Ghosh "Export-oriented employment of women in India" in Razavi and Pearson (eds) Social policy and women's export employment, Macmillan, forthcoming.

employment opportunities because of recession or structural adjustment measures, or a shift in the nature of the new employment generation towards more skilled or lucrative activities. There could be another factor. As women became an established part of the paid work force, and even the dominant part in certain sectors (as indeed they did become in the textiles, ready made garments and consumer electronics sectors of East Asia) it became more difficult to exercise the traditional type of gender discrimination at work. Not only was there an upward pressure on their wages, but there were other pressures for legislation which would improve their overall conditions of work. Social action and legislation designed to improve the conditions of women workers, tended to reduce the relative attractiveness of women workers for those employers who had earlier been relying on the inferior conditions of women's work to enhance their export profitability. The rise in wages also tended to have the same effect. Thus, as the relative effective remuneration of women improved (in terms of the total package of wage and work and contract conditions), their attractiveness to employers decreased.

### *Conclusion*

The recent trends and emerging processes described above point to some very difficult issues for policy, even as employment generation is becoming the single most pressing concern in most societies. Quite simply, the basic question relates to how adequate and decent work is to be ensured for men and women workers, in an international context in which greater economic integration has drastically altered the contours of public policy as well as the requirements of employers. It may be that policies directed towards labour markets are less effective in securing desired outcomes; rather, it may be necessary to shift and re-orient basic macroeconomic policies towards more growth and employment generation in general.