

Trade and Decent Work in an Era of Globalisation: The Case of the Australian Export Sector

Presentation by:

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1. Introduction.

Growing up in Australia, which we were told as kids to be 'the Great Southern Land' I was always curious to travel to the other great southern land of Brasil. Now I am finally here – it is a great thrill for me and I would like to say *óbrigado* to the people of Brasil, especially the people of Porto Alegre, for making me so welcome. At the same time, another ambition has also been fulfilled. As a research officer with the Australian trade union movement, I always hoped I would get the opportunity to speak at an International Labour Organisation (ILO) conference and to meet trade unionists from all over the world. So can I also say thankyou to the ILO for the invitation and thanks to ICFTU-ORIT and CUT and to local union organisations as well.

My presentation is about the relationship between trade and decent work – a key part of the debate we are all having on the impact of trade and the labour market. Labour market outcomes are important to trade. After all, why should a nation trade at all unless there are benefits to be gained for its workforce? Similarly, improving labour standards and promoting 'decent work' actually helps exporting enterprises to do their job well. The research on the Australian export sector shows this clearly to be the case in my home country.

My presentation is in five parts.

Firstly, I will introduce the trade and the labour market debate with some initial observations;

Secondly, I want to briefly outline 'decent work' which has been developed by the ILO as a key development objective in the global economy;

Thirdly, I will outline how 'decent work' has been applied in the labour market of the Australian export sector;

Fourthly, I will touch on some similar overseas evidence;

Fifthly, I will draw together some of the lessons for trade and decent work in the Australian and global contexts.

2. Trade and the Labour Market in the context of Globalisation.

One of the reasons that people fear globalisation is that they believe that it may have adverse effects on wages and employment. That is why we have gatherings like this one in Porto Alegre. Unfortunately, in the trade and labour market research, both public policy makers and the community have been poorly served by the economics profession. The problem is not that trade economists and labour economists don't agree on the topic, it is that they hardly ever meet at all to discuss it (at least until more recently when the anti-globalisation protests got bigger and louder). Traditionally, trade economists have been concerned about 'comparative advantage' and economic efficiency reasons for advocating free trade. The labour market is rarely a concern. At the same time, labour economists, have built their models and reasoning on the assumption of the closed economy. Only in more recent times have these groups of economists looked at the impact of trade on the labour market as part of the new research into globalisation.

What do we know so far? For the most part, as in many economic debates, the evidence is mixed. Wood (1995) for instance, argues that increased trade between developed and developing countries has hurt unskilled workers in the 'north'. Others believe that the hurt inflicted on unskilled workers is not due to trade but is a result of technological change or other institutional labour market changes in the north (such as de-unionisation or deregulation) (Harcourt, 2000^a). Some economists, such as Quiggin (1999), believe that globalisation is being blamed for problems that are in fact caused by domestic economic policies (under the cloak of the '*because of globalisation - there is no alternative*' mantra). Some economists believe that trade is like immigration – an easy target politically – even if its economic effects can be proved to be beneficial to the domestic economy.

3. The concept of 'Decent Work'.

But should the debate about trade and the labour market just be confined to wages? Surely there are other related factors at play that may also have a decisive impact on living standards? Wages are, of course, a necessary ingredient but they are not sufficient when determining trade impacts on the labour market. Other work-related conditions also come into play. To help us understand how labour market conditions can be improved in the context of globalisation, the ILO has developed the concept of decent work. The necessity for such a concept has been developed in full by the ILO Director-General Dr Juan Somavia, in his excellent report 'Reducing the decent work deficit – a global challenge' (Somavia, 2001).

In technical terms, the concept of decent work as a development objective has been well explained in an insightful paper by ILO economist, Dr. Gerry Rodgers (Rodgers, 2000). I

am sure, these will be familiar to you all, but briefly the four dimensions of decent work are:

1. *Work and employment* – the quantity and quality of work available including having enough work and income taking into account working time and work intensification;
2. *Basic rights at work* – basic rights as expressed by the ILO's core labour standards, freedom of association, freedom from child labour, forced labour etc. (Some would include right to a living wage and a safe work environment)
3. *Security* – Right to job security and social protection when faced with adverse economic conditions;
4. *Representation and dialogue* – right to representation and employee 'voice' and workplace democracy.

4. Decent work and the labour market of the Australian export sector.

In the trade and labour market debate, most trade economists look at general equilibrium models and the like. These models are often abstract and quite difficult to apply in practical public policy terms. By contrast, at Austrade, we looked at actual firm-level data to see how exporters behaved in the labour market in comparison to non-exporters (Harcourt, 2000b). In our research, we found that there are overall benefits to exporting in terms of the new economy, innovation and firm performance. This is beneficial to the firms themselves and to the economy overall. We also found that there were labour market benefits associated with exporters. This is because exporters, by investing in better labour standards, actually improved productivity and the overall profitability of their businesses. In short, investing in decent work actually assists export performance. This is clear when we examine the dimensions of decent work in the Australian export sector in more detail.

Firstly, in terms of *work and employment*, we found that, on average, exporters paid better wages than non-exporters. This occurred for both large and small businesses across a range of different industries.

Secondly, in terms of *basic rights at work*, we looked at the right to work in a safe environment (although it strictly goes beyond the ILO's core labour standards). We found that, on average, exporters are more committed to providing a safe working environment than non-exporters (on a wide range of occupational health and safety indicators).

Thirdly, in terms of *security*, exporters, on average, provided more employment security than non-exporters. They provided a higher proportion of full-time jobs and permanent jobs to their workforce than did non-exporters.

Finally, in terms of *dialogue*, exporters were more likely to take advantage of employee 'voice' in dealings over workplace issues. Exporters were more likely to use collective bargaining (through enterprise agreements) to bargain with union representatives over wages, working conditions and related matters. In contrast, non-exporters tended to just pay minimum award wages without union involvement.

The other (related) important finding is that, on average, exporters experienced higher productivity and higher profitability than non-exporters. This is, in part, due to the fact that exporters invested in human capital to a greater degree than non-exporters. Exporters were found to be more likely to provide training to their workers and to increase those training levels over time. They were also more likely to encourage knowledge sharing throughout the firm and to link up their training programmes with those of universities and technical colleges. The training was designed to be beneficial for both the exporter and for the job satisfaction and career development of the workers.

5. International evidence.

So does this matter? Is Australia, as a developed economy a special case? The overseas evidence actually shows similar findings to what we found in the Australian export sector. Richardson and Rindal (1995) found the original evidence in the USA economy, but other countries – both rich and poor – have drawn similar conclusions. Lewis and Richardson (2001) have surveyed a range of economies with similar findings to Australia and the USA. These include:

- Taiwan
- Belarus
- Russia
- Ukraine
- Turkey
- Chile
- Bulgaria
- Czech Republic
- Indonesia
- Mexico
- UK

So decent work and trade can be mutually reinforcing for a range of economies at different stages of economic development.

6. The Australian Context.

Of course, in looking at the lessons from this evidence it is important to understand the Australian context. Dealing with globalisation involves a number of key factors outside trade and the labour market (that influence an economy's success).

Firstly, institutions matter. Australia has highly developed institutions of social protection that have not been established elsewhere. This was evident during the Asian financial crisis where the lack of social safety nets harmed countries like South Korea and Indonesia.

Secondly, private sector transparency matters. Australia's developed standards of private sector transparency and corporate governance (especially in the financial sector) are important especially when global integration puts pressure on domestic economies.

Thirdly, these positive results have come after much restructuring and microeconomic reform in Australia. Not all have benefitted in the same way. That is why social protection – especially in the form of human capital investment in education and training - is important to help those harmed by economic restructuring (whether it is due to international or domestic economic causes).

7. Conclusion.

Like all aspects of the global economy, decent work has international implications. Therefore, the work on the social dimensions of globalisation, especially on the concept of decent work by the ILO is especially welcome. Based on what we know of the Australian evidence (and some of the other international results), we know that export sectors can play a leading role in promoting decent work and labour standards in economies. This is because exporters, by increasing wages, promoting employment security and investing in human capital ultimately make their own businesses more productive and ultimately more profitable. This is good for exporters, workers and the economy as a whole – especially in an era of globalisation. So, in short, social protection, in the form of decent work is an important objective. It will ultimately help spread the benefits of the global economy and in doing so restore its support and confidence from the workers of the world.

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