

What about the workers? Globalisation and labour markets

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Since the Battle for Seattle in November 1999, the world has seen a wave of anti-globalisation protests in Washington DC, Prague, Melbourne and more recently Gothenburg and Genoa. Anti-globalisation protestors have expressed concerns about a diverse range of policy issues including the environment, world poverty, multinational corporate strategy and trade policy. At the same time, proponents of globalisation and trade liberalisation have emphasised the gains in efficiency, dynamism and economic welfare that open markets bring to citizens of both rich and poor nations.

A key issue in the ruckus is the impact of increased trade on the labour market. Does trade hurt or help workers in getting and keeping jobs? The question has been debated in the economics literature chiefly as regards the effects of imports on workers and their conditions in industrialised economies. British development economist Adrian Wood, for example, attempted to measure the impact of trade between North and South on the wages of unskilled workers in the North and found an adverse impact. His findings were disputed by other economists who argued that most trade and investment flows were between OECD economies rather than between the OECD and developing countries and that these OECD flows determined wages more. Also, many of these economists would regard technology as a more important influence on the labour market than trade.

But for all the talk about imports from cheaper countries, there has been insufficient discussion of the *exporting* side of the trade equation. This is unfortunate, as the exporting sector, with its overall dynamism and knowledge economy focus, often provides significant labour market improvements for workers in national economies. This has certainly been the case in Australia. A recent study by the Australian Trade Commission (see references) found that exporters, on average, paid their workers 60% more than non-exporters. This remained true even after allowing for the different types of industry involved and the different sizes of the firms surveyed. Australian exporters were also more likely to use collective bargaining to raise wages and productivity within the business than non-exporters who barely paid minimum wages.

And the differences do not just concern wages. The Australian study produced data about a whole gamut of employment issues. For instance, exporters were found to have a higher commitment to occupational health and safety than non-exporters. In terms of employment status and job security, exporters provided a higher proportion of full-time and permanent jobs in the labour market than did non-exporters.

Much of the story is about human capital. A significant finding of the Australian study was the commitment of exporters to the education and training of their workforce. Exporters were more likely than their non-exporting counterparts to send their staff on training courses, buy them computers, form alliances with universities and other training providers and invest in their longterm career development. The commitment to training is also reflected in the relative “information age” savvy of exporters and the benefits in terms of technology and knowledge that come from competing in international markets. This in turn helps productivity and overall business performance.

That is fine for an OECD country, you may say, but what about developing and transition economies? The superior performance of exporting firms relative to non-exporters has also shown up in countries like Bulgaria, Chile, and Taiwan. In each country, the efficiency gains of exporters drive productivity improvements that help the economy’s competitiveness while improving labour conditions for their own workforce.

So what are the main messages from the evidence on trade and labour markets?

First, it is important to remember the exporting side of the equation, since too much emphasis is given to the effects of imports. After all, one country's imports are another's exports. Moreover, from the evidence in this study, exporters are good employers in terms of wages, occupational health and safety, employment status, job security and education and training. This is important to remember when considering the impact of trade on OECD countries as well as developing and transition economies.

Exporters may have it right. But it will take proper institutions to get the message to non-exporters or to import-competing firms who can no longer rely on trade protection. Education and training programmes matter, as they assist with labour market adjustment when economies change and new industries replace older ones. Even in the trade and wages debate, Adrian Wood does not support a return to trade protection as a policy response but instead prefers labour market adjustment policies including education and training for unskilled and semi-skilled workers in the North. In short, if labour market institutions are fair and efficient they will provide the best insurance policy against a return to trade protectionism.

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