

ORGANIZATION OF AMERICAN STATES
Inter-American Council for Integral Development (CIDI)
First Meeting of the Working Groups of the
XVI Inter-American Conference of Ministers of Labor (IACML)
July 27-29, 2010; Santo Domingo, Dominican Republic

Panel 1: Labor Impact of Globalization

The employers' perspective, by Brian Burkett, representative of **CEATAL** and Counsel to the Canadian Employers Council

Presentation Notes

I would like to extend my appreciation to the organizers of this conference held in the Dominican Republic and for the opportunity to speak on behalf of CEATAL.

I believe we have been asked to respond to two questions:

Question 1:

- What is the impact of globalization on employment and wages in the Americas?

Question 2:

- What are the characteristics of a national economy that has the capacity to prosper in our globalized world, including the ability to withstand some turmoil, to restore prosperity to its citizens and, ultimately, to flourish in a sustainable way?

Let me answer the first question with some historical perspective ... and the second question with some employer proposals for full recovery from the global recession of 2008.

Question 1: Historical Perspective

Since the end of World War II in 1945, the world economy has been dominated by the “twin engines” of technological innovation and trade liberalization.

By technological innovation I am referring to the advances to information technologies, specialized production processes and reduced transportation and communication costs which have all served to accelerate the globalization of the world economy.

In terms of trade liberalization (including privatization and deregulation) think, for a moment, about the following developments in the Western Hemisphere alone:

- the negotiation of the FTA and NAFTA in North America by 1993;
- the creation of Mercosur in South America; and
- numerous bi-lateral free trade deals, especially since the demise of the Free Trade Area of the Americas (the FTAA) process at the IV Summit of the Americas in Mar del Plata, Argentina, in 2005.

In the decades immediately following World War II, the majority of attention seems to have fallen on the economic (as opposed to social) aspect of globalization. By 1995, however, the work within globalization became more comprehensive and complete in the sense that it became more of a search for “balance” between economic development and social progress.

Think for a moment about the following partial catalogue of initiatives and activities on the social side of globalization.

- The starting point for this catalogue is probably the WTO Ministerial Conference that took place in Singapore in 1996 where 2 significant developments occurred. First, the WTO recognized the formal linkage, for the first time, between the economic and social dimension of globalization. Second, the WTO identified the International Labour Organisation (the ILO) as the supra-national organization primarily responsible for the social dimension of globalization.
- By 1998, the ILO had adopted its Fundamental Declaration (no child labour, no forced labour, no discrimination in employment and occupation and freedom of association and the right to collective bargaining).
- By 1999, the Secretary-General of the ILO (Juan Somavia) had announced the Decent Work Agenda (the DWA) and, in the same year, the then Secretary General of the United Nations, Kofi Annan, had created the Global Compact.
- There is also the work of the International Standards Organization (the ISO 26000 Initiative) to consider as well as that of the OECD and the WTO.
- Moving from the public to the private domain, and remaining with the catalogue of developments within the social-side of globalization, there is also the outgrowth of CSR activity on the part of multi-national enterprises (MNEs) to consider.
- Finally, and remaining on the private side, there is the emergence of International Framework Agreements (IFAs) as between MNEs and Global Union Federations (GUFs). Today, there are approximately 71 “active” IFAs with many of the more recent ones signed in non-European countries such as: Brazil, South Africa, Russia and Japan.

The point to note is this: From 1945 to 2008, with a few setbacks along the way, globalization followed an “upward trajectory” in terms of economic development. The question that came to prevail, before the turn of the century and beyond, was whether the “social deficit” embedded within globalization was being adequately addressed.

Let me be clear about one thing – globalization, as of 2008, had never succeeded in finding the right pitch between economic and social development ... that elusive “sweet spot” where profit, people and planet are all in optimum alignment ... with globalization in a resulting state of equilibrium.

Then the global recession of 2008 struck and the world changed... permanently! In 2008, we descended, collectively, into “turbulent times”. Economic development swooned. Between December 2008 and July 2009 (a period of about 1.5 years), 15.1 million people joined the ranks of the unemployed in the OECD countries alone... an increase of 50%. Further, temporary and non-standard workers were disproportionately impacted by the recession. Also, to the extent employers have been hiring since 2008, there has been an increased reliance on non-standard work arrangements in the face of labour market rigidities.

So, as of 2008, the globalized world received a uniquely “double barreled” hit:

- Economic gain suffered an immediate and serious setback;
- Social progress, at the same time, was adversely affected. Whereas hundreds of millions of people, around the world, had been lifted out of poverty on the backs of globalization, a significant portion of the same liberated population was in danger of falling back into poverty.

All of which leads to the second question posed by the organizers of the Conference – which can be reframed to ask: What is the path for recovery and sustainable growth, along with social progress, as we move beyond the recession of 2008?

Let me suggest to you, on behalf of the employer community throughout the Americas and beyond, that the road to recovery has a *sequence* to it and proceeding methodically and with determination will be essential:

- First, economic recovery, including an employment recovery (decent work); and
- Second, through the portal of economic recovery, the restoration of social progress.

The Employer Community Proposal

Meeting the economic and job creation challenge is the top priority. Meeting this challenge requires:

- stable macro-economic frameworks;
- quality pro-competitive regulatory frameworks, including balanced Labour laws; and
- an entrepreneurial climate that supports doing business.

The belief of the employer community is that there is a need to create a pro-employment policy framework that has the following six ingredients:

1. **Reducing administrative and compliance costs for SMEs.**

- SMEs are an important source of innovation and an important driver of growth in all countries.
- Attention should be paid to reducing barriers to SMEs startup, viability, growth and job creation.

- The economic and labour market fundamentals we identify for SMEs, and micro-businesses, will stimulate innovation and investment, encourage mobility, enhance productivity and support competitive business environments. In so doing, we will lay the foundation for preserving and creating jobs.
2. Investing in the developing and improving public services.
 3. Reforming labour markets as a specific pro-jobs measure.
 - Each jurisdiction should strive to ensure that:
 - labour regulations are current so as to avoid the unintended consequence of acting as a disincentive to job creation; and
 - its employment regulations, put positively, serve as an incentive for job creation.
 - It is important to note that we are not talking here about the elimination of regulation. Rather, we are talking about regulating in a modern, progressive way that will serve the twin purposes of restoring economic prosperity and advancing social progress.
 4. Enhancing productivity to deliver more sustainable jobs.
 - Enhancing productivity to deliver more sustainable jobs goes hand-in-hand with effective regulation.
 - There is the need to facilitate the *employability* of workers within each national workforce.
 - This is achieved through education, training and skills in lifetime learning.

- Together, smart regulation and the achievement of a workforce that is “employable” will make for a healthy economy fully able to navigate its way through the sometimes choppy waters of a globalized world.

5. Promoting innovation and investment.

6. Ensuring social safety nets.

- Social safety nets are an important aspect of recovery. They need to focus on the most vulnerable groups in society, namely: youth, migrants and older workers.
- However, economic recovery will not occur on the backs of extended benefits which do serve the purpose of stimulating consumption. Rather, social safety nets need to be aimed at incentivizing labour market reentry.

Employer: Six-Point Proposal for Recovery

1. Recognizing and supporting the role of SMEs and micro-businesses in job creation
2. Investing in public works
3. Reforming labour markets to make them agile and responsive
4. Focusing on productivity, sustainable jobs and employability
5. Promoting innovation and investment
6. Protecting our fellow citizens in a way that sees them through to the next decent work whether by choice or by necessity following layoff or dismissal.

The foregoing proposals, we suggest, represent the formula that will see us through to economic recovery and prosperity and a renewed search for social progress within our recreated globalized world. The search for “balance”, as between economic development and social progress, will have been energized ... the “silver lining” in the global recession of 2008.

Conclusion

Let me conclude my brief remarks with a quotation from the current Governor of the Bank of Canada, Mark Carney, in his first public address as Governor on February 18, 2008 as the global recession was taking hold:

“The challenge for policy-makers is to ensure that the benefits of globalization are *maximized* and *widely shared*. In general, this means making sure that policies do not frustrate market-based adjustments, but rather are aimed at promoting flexibility in markets – particularly labour markets. This means maximizing the ability of workers to relocate if they wish, maintaining appropriate social safety nets that do not discourage employment, and focusing on lifelong learning and training. Beyond labour markets, governments should focus on domestic integration. Internationally, governments should also concentrate on removing barriers to trade and investment to maximize the benefits of globalization. These imperatives will be tested during the current economic slowdown. “

[emphasis added]

The Governor of the Bank of Canada, as he observed the “gathering storm” in February of 2008, fresh in his new job, saw with clarity the essential characteristics of globalization and, in so doing, he charted for us the roadmap for sustainable economic recovery and social prosperity.

Our task is to execute on these guiding principles in a way that achieves the real purpose of globalization – an improvement in the human condition throughout our “global village”.

Thank you.