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People first - FIET in the global economy

People First in the Global Economy

Agenda Item 7

Future Priorities

This section has the same status as a motion.

Background Report

This section provides background information on the issue.



People First in the Global Economy

Future Priorities

Gearing Up for the Future

1. Globalisation in its current form is not sustainable. New rules are required. The world is being rocked by a series of financial and economic crises. No economy, country or region, no matter how strong, is immune. Faced with dramatic social and economic changes, workers, their families and their unions have to meet great challenges. Problems of structural adjustment, re-location, down-sizing and privatisation mean unemployment and job insecurity. As MNCs "play" the global market, the jobs of workers in one country can all too often be created at the expense of workers in another. Also, as part of their drive for flexibility and efficiency, many companies operate heartless HRM policies which often go hand-in-hand with attacks on trade union and human rights. So FIET needs:
 - a structure, organisation and strategic purpose which is geared to meet the challenges;
 - adequate resources to support its work;
 - and a clear agenda of priorities for action.

Situating FIET for the 21st Century

2. Global problems require global responses, which in turn need global structures backed up by integrated regional activities. So:-

Key Strategies

need developing so that policies can effectively be translated into action with an emphasis on being pro-active with the aim of seeking to shape events rather than just being responsive.

Regional Links

need to be reinforced so that two-way communications can be co-ordinated, enabling international strategies to have a clear regional dimension and to allow specific regional issues to be effectively supported.

<i>Trade Section Links</i>	need to be further developed as a tool of global and regional solidarity and action.
<i>Inter-Professional Links</i>	between management staff, women and young people take on a new importance in a rapidly changing world where computer-based technologies cut across traditional working boundaries.
<i>Wider Links</i>	must be reinforced with national and international bodies of influence. Sometimes we may want to join with them in common cause, sometimes they may help promote our policies, or perhaps they are decision-makers who we wish to influence.
<i>Developing Organisation</i>	by providing high quality education and training by building up membership strength, especially in the newly-developing area of private service, by improving communications and the two-way flow of information by use of Internet and other technological systems.

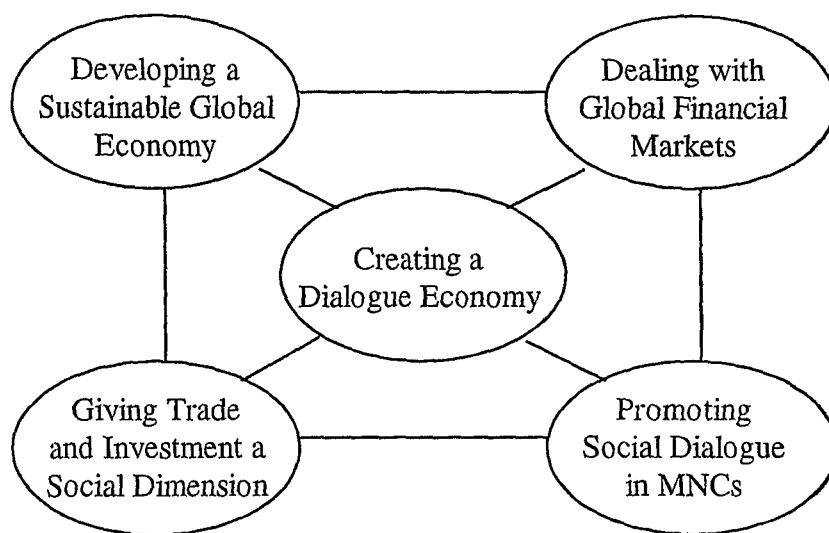
A New Head Office

3. Central to the plans for the new millennium is the building project at Nyon. A new office offers the advantages of creating a purpose-built office which will be up-to-date and designed to make full use of technological aids. The new office will be a global hub which will network with the regions and with affiliates to provide services and support world-wide.

Forward in Partnership

4. One of the features of the global market has been the growth of the service sector. A further feature is the way by which (in this sector more than most) professional boundaries have blurred. Developments in technology and business structures have combined to link "service" workers as never before. Whether operating in Graphics or Information Technology, Banking or Commerce, Communications or the Media, workers have many shared interests. And it is this notion of shared interests which led to the idea of creating a new international for a new millennium; an international with a potential of 20 million members. By coming together FIET, Communications International, the MEI and the IGF can provide a unified membership with a combination of specialist attention and a greatly enhanced influence, both at regional and global level.

Five Key Action Points



Giving Trade and Investment a Social Dimension

5. Action Points:

- a) Push for a thorough review of the role and functions of the World Bank and IMF, with the aim that their policies put people first.
- b) Aim for a global trading system which is fair, open, which respects trade union and human rights, and core labour standards, and with this in mind work for the adoption by the WTO of a comprehensive social clause. The ILO and WTO have to develop closer working relations with the aim to put people first.
- c) Work for the establishment of a new framework to govern global financial markets to reinforce regulation and supervision.
- d) Make the social dimension an integral element of regional trade agreements and other regional accords; job creation has to be the first priority in these pacts.
- e) Encourage the ILO to take a much higher profile in the global economy and to promote more aggressively labour standards and to campaign against poverty.
- f) Support a review of the role and function of the G7 summits; new forms of global co-operation are required which are representative, better able to

manage global economic affairs and better fitted to make world trade work for people.

Creating a Dialogue Economy

6. Throughout the world the gap between the rich and poor has grown; the unfair distribution of income has to be addressed. Action Points:-
 - a) Promote in each nation structures of tripartite dialogue to review trends in labour markets, promote employment and address income inequalities.
 - b) Press all governments to promote collective bargaining and participation.
 - c) Make the open provision of education and training a specific subject for dialogue at company and sector levels.
 - d) Promote dialogue with employers on the issue of the adoption of core labour standards.
 - e) Ensure that the social dialogue is an integral part of any regional economic agreement.
 - f) Work for the repeal of anti-union legislation and for a positive framework of union rights.

Dealing with Global Financial Markets

7. Promote the control and supervision of financial institutions and capital markets through measures which will:-
 - a) Develop instruments to lessen volatility in financial markets.
 - b) More closely regulate hedging funds.
 - c) Impose a tax on international currency movements which will deter casual speculation but not genuine investment.
 - d) Control the damaging effect of gambling in options and futures by regulation and/or taxation.
 - e) Encourage stronger regional co-operation on financial and economic affairs, including initiatives such as building up regional stability funds and regional currencies.

- f) Support institutional reforms, e.g. of the World Bank and IMF, so that they have an improved capacity for regulation of financial markets and financial institutions, and so that running alongside crisis management is a positive planned global strategy for growth and jobs.
- g) Strengthen the social dimension of IMF and World Bank requirements for structural adjustment by dialogue with the social partners and a balanced policy for investment in human development.
- h) Ensure that where corruption is a cause of crisis, aid and development will be accompanied by anti-corruption measures.

Promoting Social Dialogue in Multinationals

8. Action Points:

- a) Work for company global agreements between FIET and MNCs.
- b) Seek global company councils, the composition of which reflects fairly the company structure and the union organisation.
- c) Link the work of MNC councils with the FIET World Action Programme and sector policies and strategies.
- d) Argue for the application of company-wide core standards in respect of workers' rights and representation.
- e) Promote ethical investment principles, including effective monitoring of suppliers and sub-contractors and their adherence to core labour standards.
- f) Promote the adoption of ILO/OECD standards.
- g) Seek minimum company-wide standards for health and safety.
- h) Encourage MNCs to focus investment into job creating opportunities.
- i) Promote the development of lifetime education and training programmes.
- j) Argue for the adoption of good corporate governance with transparent and democratic accountability.
- k) Facilitate the exchange of information between unions in regard to union projects and activities concerning MNCs.

Developing a Sustainable Global Economy

9. Action Points:

- a) Work for the preservation and maintenance of the democratic process, including special help for transitional economies and unions in new democracies, and for governments to live up to their commitments to the UN.
- b) Support action designed to remove the burden of sovereign debt.
- c) Encourage measures designed to remove poverty, injustice and economic marginalisation, including the provision of social safety nets and initiatives to combat low pay.
- d) Help develop a world charter of basic minimum social rights and labour standards which will include the abolition of child labour.
- e) Work for the development of a social dimension by promoting a positive partnership for change at the workplace.
- f) Support measures designed to promote greater equality and to combat unfair discrimination.
- g) Work for social justice throughout the world.
- h) Aim for standards of ethical corporate governance.
- i) Help to develop policies for ageing societies.
- j) Work for the removal of corruption in all its forms.
- k) Help protect the world's ecological heritage and develop effective environmental standards.
- l) Support employment-creation policies which will produce quality jobs for people throughout the world; jobs which are sustainable and which give workers the dignified means to sustain themselves and their families.
- m) Work for active labour market policies in a digital economy. Concerted action is required to improve the provision of education to increase skills' formation over the lifetime of a worker. This will require major and on-going investment in education, training, skilling and reskilling, and widespread access to such opportunities.
- n) Develop support for workers in the informal sector.

The Global Economy: Its Major Building Blocks

One World - One Market

The last decade or so has been a period of dramatic change, the scale and nature of which has transformed the way in which we live and work. Powered by computer-based technologies we now see finance, goods, services and innovatory information and material circulating around the world virtually unhindered and at an increasing pace. The digital revolution is now transforming the end of this century in the way that the Industrial Revolution transformed the end of the last one. A new economy is being built which will require a new direction in economic policy.

“Open” systems and “open” trading have dovetailed conveniently into neo-liberal theories of market-driven economics with their attendant handmaidens of de-regulation and privatisation. Most developing nations and countries which formerly operated under centrally planned systems are now in various stages of transition towards new models. And with the decision by China to open up and develop its trade with the rest of the world, the term “Global Economy” is truly a reality.

But few people will argue that the global economy is a cohesive entity which is planned and directed in any centralised way. Indeed, for it to be so would be almost a contradiction in terms. True, the World Bank, the IMF, the major economic powers (operating nationally, regionally and globally) have considerable influence in stimulating change or responding to shifts. So do other key players such as large financial institutions and multinational corporations.

The new economy is global, is networked, is based more and more on information, enables the decentralisation of power, stands to make societies more open, and will promote specialisation. It is not a global economy that can be trusted to market forces, with their ever present irrationality and miscalculations. This is an economy which demands active government in all domains, from financial to labour markets. A new economy that requires new tools of co-operation and co-ordination. The Bretton Woods institutions are now over 50 years old - the structure of the global economy and power has changed since their birth. The criticism of IMF efforts to resolve the Asian financial crisis illustrates the dissatisfaction with the performance of the post war global institutions.

Global financial markets have exploded and the sentiments that they express can quickly condemn a national economy. The ebbs and flows in today's financial markets are not just expressions of irrational exuberance - today's market makers expect, or rather demand, market based economies, low budget deficits, low interest rates and free movement of goods, services and capital. If a nation's economic plan does not fit the market criteria, then the global investment herd is quick to draw its conclusions and begin the process of shifting funds elsewhere.

A global market has emerged coupled with the objective to make national economies with the same “one size fits all” characteristics. It would appear complete folly to ignore national history, culture and business and labour practices. Again, the Asian financial crisis has illustrated the difficulty of doing this.

In the global economy there is a place for active government and more global and regional economic co-operation. A new debate is required about the limits of market forces and the place for supervision and regulation, with employment and welfare policies that promote job creation, fairness and the welfare of citizens. In a global economy there is a place for active labour market policies.

And what does all this mean for jobs? In the wake of globalisation and structural adjustment there has been a dramatic human cost. Many traditional sources of employment have withered away. Whether industrial jobs in developed countries, or jobs on small farms in developing countries, the harsh reality of global competitiveness demands its price. However in the new information societies other jobs have emerged, particularly in the services sector. This has particularly been the case in the USA. But many of these are part-time, low-quality opportunities which often lack permanence. Job creation therefore is the major challenge for putting people first. Quality jobs in numbers are necessary so that workers can support their families and provide the resources for essential services such as social welfare and training and education. As life expectancy grows, there is in many countries a demographic time bomb ticking away which is leading some governments to look at ways of shifting the responsibility for welfare provision from the State to the individual. If such policies were to be pursued then the importance of full employment becomes even more vital. For without this essential ingredient societies would degenerate further into extremes of ‘haves’ and ‘have nots’ with all the social and political consequences such divisions would bring.

The Building Blocks

Opening up of World Trade

- Since the end of World War II, international trade has risen by an average of 6%.
- 20 years ago less than one-third of the world was part of the international trade network. By 2000 over 90% will be directly connected to the Global Market.
- With the inclusion of China all the major economies will be inter-connected.

Regional Economic Integration

- Regional Agreements can be narrowly concerned with just free trade issues or be sophisticated social, political and economic models as in Europe. Major agreements have been reached in all continents.

Neo-Liberal Philosophies

- They support free trade, deregulation and privatisation.
- Market forces rather than central planning drive the economy.
- The current pre-eminence of market economies has been accelerated by the collapse of command economies.
- But do market forces produce decent standards, welfare protection and quality employment opportunities?

Growth of Multinationals

- MNCs enjoy great freedom (and the power this gives) to invest, produce, assemble and export where it offers the greatest advantage.
- MNCs are prime exponents of Human Resource Management techniques which can erode trade union and human rights and decent standards and security of employment.
- The 40,000 MNCs collectively influence 'the Global Economy'.

Global Financial Markets

- They are serving less and less the real economy; in 1995 world exports were valued at US\$4.8 trillion but foreign exchange volume was US\$325 trillion. \$1.50 of every \$100 were for goods, \$98.50 for financial investment and speculation.

- Capital per worker in industrial countries is ten times more than in developing nations.
- MNCs are a major vehicle for the export of capital.
- But “capital” can demand a heavy price in terms of monetary, fiscal and social policies.
- More capital usually means higher productivity. But does it mean a growth of quality employment?

Advances in Information

Technology and Communications

- Microchips double in power and halve in price every 18 months.
- Business and work have been transformed by IT systems.
- Commercial applications of IT systems have facilitated the development of the Global Economy.
- The cost of a commercial transaction via the Internet is potentially a fraction of conventional methods.

Global and Regional

Africa

For the most part the people of Africa are desperately poor. But paradoxically the continent is rich in natural resources. This situation contrasts vividly with Asia where natural resources are scarce, but where huge advances have been made in terms of economic success and the improvement of living standards. South Korea currently has a per-capita income of \$10,000 pa compared with \$150 in the Congo. Despite its potential wealth from minerals, agriculture and tourism, the numbers of poor people in Sub-Saharan Africa are rising. Perhaps more worrying is the fact that the Region's role in the World Economy is shrinking; from 3% in the 1950s to 1% in 1995. Africa attracts only 3% of the direct investment from foreign countries to developing countries. So these are the problems which have to be tackled if Africa is to generate success and hope for its people:

- a legacy of colonialism, ethnic rivalry and social unrest;
- a crippling debt burden;
- political adventurism and instability;
- grinding poverty: (45% of Africa lives on less than \$1 per day);
- over-dependence on weak primary commodity prices;
- a North/South divide;
- poor provision and access to education and health care;
- the devastating effect of AIDS;
- unemployment being almost a way of life, with many eking out an existence only by engaging in the informal “grey” sector;
- poor market access with the virtual marginalisation of much of Africa from the Global Market.

So, what can be done?

The Developed Nations could give constructive help by:

- ⇒ Pressing for debt relief in order to resource human development and the eradication of poverty.
- ⇒ Providing greater access to World Markets.
- ⇒ Supporting reforms for democratic government committed to equal rights and equal access.
- ⇒ Encouraging employment-generating investment.

Whilst the Challenges to Africa are to:

- ⇒ Promote social and political stability.
- ⇒ Improve the physical and financial infrastructure.
- ⇒ Invest in education and training.
- ⇒ Promote Open health programmes.
- ⇒ Develop open and outward-looking economies.
- ⇒ Develop better regional co-operation.

Europe

Europe is going through a period of profound transition. The democratic revolution that swept Europe in the late 1980s and early 1990s has brought with it a transformation of national economies. FIET sectors have been the first to privatise. The process of change has been profound and will now enter a new phase with the enlargement of the EU.

The European Union was the first of the modern regional trading blocs to be established. Comprising in 1997 a total of 15 countries, applications for membership are currently being considered from countries that formerly were part of the “eastern” bloc.

Western Europe has ancient institutions and a long-established tradition of Parliamentary Government, with constitutional freedoms and a high level of trade union organisation. Europe has extensive social legislation, including a legislative underpinning for the development of collective bargaining and participation. Its people are well educated and trained and the continent generally has a modern physical and social infrastructure. Europe is fortunate in being reasonably self-sufficient, but it has an ageing population. Furthermore, Europe generally is suffering from persistently high levels of unemployment, which requires from those in work high levels of taxation to sustain the welfare provision. Unemployment is leading to sharper divisions in society.

Pivotal to the problems facing Europe is the debate about its future in a changing world. Is this best secured by reliance on the tried and tested formula of the past, of high wage, high productivity and high taxation, or is it necessary to dramatically change the European way of life by introducing reforms?

Some Key Challenges Facing Europe

- The introduction of the single European currency and the problems associated with this, including:
 - the short-term impact on jobs arising from fiscal and monetary policies as applicant countries struggle to achieve the convergence requirements;
 - the role of the European Central Bank;
 - the degree to which monetary union will require fiscal union and eventually political union;
 - the future role of European “Social Welfare”.
- Dealing with the economic and political pressures associated with enlargement of the European Union.
- Combating unemployment by creating sufficient growth to generate quality jobs and the funding of social welfare provisions for a population which lives longer and aspires to retire earlier.

This “European way of life” is threatened by those who argue that Europe is losing its competitiveness because of:

- ⇒ high direct and indirect costs of production;
 - ⇒ inflexible labour-market policies;
 - ⇒ excessive fiscal deficits to fund welfare commitment;
 - ⇒ which in turn will be aggravated by high taxes and high rates of unemployment;
 - ⇒ all of which (if left unchecked) could lead to stagnation, slump and eventually political chaos.

But Building on Europe's Strengths Means Continued Prosperity, by:

- ⇒ using Social Dialogue to achieve sustainable growth and a high investment in jobs and people.
- ⇒ using mature education and training provisions to re-train people to be economically responsive and innovative.
- ⇒ using its well-advanced Region integration to bring about regional co-operation for the mutual benefit of the community.
- ⇒ using its well-established institutional framework to negotiate change for the benefit of people.
- ⇒ developing a policy of “complementarity” to promote market efficiency with a social dimension.

The Americas

Chief amongst the problems of the Americas is the marked economic disparity between countries and between groups within a nation. For example, the divergence between the USA and Canada in the north and Mexico in the south has created strong internal stresses within NAFTA. There has been social dumping and currency instability resulting in the 1994 peso devaluation, which plunged Mexico into crisis. Also, within the rich USA the gap between the rich and the poor is widening. Similarly, Latin American stability is strongly influenced by the US financial markets. Many South American countries now pursue the Chilean ‘neo liberal’ model of reform and the governments are keen to expand free trade agreements. Although President Clinton’s drive for “fast-track” authority to negotiate trade agreements with Latin American countries was turned down by Congress, the debate remains valid about who precisely would be the winners and losers in such a development.

Divisions of North and South and Incomes

- Between 1990 and 1997 North America experienced seven years of growth. Unemployment is at its lowest for some 25 years, though problems remain in terms of the quality of jobs, the unequal distribution of wealth and a widening of the income gap.
- Much of Latin America is embarked upon neo-liberal economic policies.
- Latin America has experienced much political volatility, hyper-inflation and growing social and economic inequalities.
- For the most part in Latin America the economic decline of the 1980s has been matched by a rise in inequalities with the gap between rich and poor widening dramatically.

- The Caribbean too has suffered from decline due to falling crop values and migration with high unemployment and a large informal sector. Tourism brings in much needed foreign currency and steady progress is now taking place, as evidenced by improvements in the UN Human Development Index ratings.

A Tale of Two Americas?

The Asian crisis of 1997 will impact on the US economy and, whilst the stockmarket continues to boom, there are deep concerns about the impact on US banks and trade.

But for Latin American economies generally, the event served to remind that:

- at this stage in their development the Latin American economies generally are very vulnerable to global economic forces;
- Latin American stock markets are heavily influenced, if not driven, by spill-over liquidity from the US;
- the markets in Latin America are strongly linked with each other as well as being interlinked as a whole with the US.

Unions welcome closer economic integration but wish it to be coupled with a social dimension.

⇒ For Latin America and the Caribbean, an extension of the free-trade area could bring much needed investment, jobs and wider access to the North American market.

⇒ As something like 40% of US export growth is in the field of technology it could bring access to high-tech development.

⇒ But the reality could be the social dumping of low-tech, low-paid jobs.

However, many US workers in low-tech, low-paid employment fear it will be *their* jobs which will be exported.

⇒ The concerns once associated just with Mexico of being under-cut in the labour market would be multiplied.

⇒ and a flood of cheap imports could cause a further round of domestic job losses.

⇒ leaving North America with high value, high-tech investment but declining future job prospects and a widening between “haves” and “have nots”.

The common message is clear. Top-heavy economic growth will not be sustainable unless *people are put first*. Also, if they are to be sustainable, proposals for market expansion like the “fast-track” have to be accompanied by bi-lateral commitments to:

- training and education;
- greater care of health and the environment;
- more attention to the alleviation of inequalities and the provision of decent minimum standards for living and working.

Asia and the Pacific

This region, with a high concentration of people, but with limited natural resources, has been synonymous with post-war economic growth. Japan started its own “miracle” in the 1950s and was followed by Hong Kong, Korea, Singapore and Taiwan. The 1970s saw the emergence of other “tigers” including Indonesia, Malaysia and Thailand. Still in the process of developing its arrival is the massive presence of China.

But any historical analysis of the region will of course be incomplete without assessing the impact of the 1997 financial crisis, which will have a long-term economic, political and social significance in the region.

However, what can be said is that the ingredients which started the boom in East Asia and which have revolutionised living standards there, may well in the future be found equally in other parts of Asia. India for example has grown at an average of almost 7% p.a. over the last four years. With a combination of economic reforms, lowering birth-rate and liberalisation measures, the country could be well-placed to compete with China for labour-intensive investment from the “East”, where higher wages and higher expectations may encourage an outward flow of capital.

The Crisis of 1997

It is only with the knowledge of hindsight that the full effect of the crisis of 1997 can be assessed. But it is possible to identify some of the causes for the crash, some of the “medicine” which is being administered by the IMF and some of the questions about which we can speculate concerning the future.

Problems can be caused

- when social/political development does not keep pace with growth;
- when property and other assets are over-valued, dubious projects funded, bad debts pile up and banks can't cope;
- when there is inadequate regulation and supervision of finance and industry;
- by inequalities of the type in parts of South Asia, such as Indonesia, Thailand and the Philippines, and widespread corruption and cronyism;
- by social unrest and political instability if a combination of crisis and inequality is left unchecked;
- from the withdrawal of capital and the realisation that it will be the poorer sections of society who will have to meet the cost.

The IMF medicine has taken the form of:

- Packages with conditionalities to encourage stabilisation.

- Insistence on austerity packages including measures such as cuts in public spending, increased taxes and reductions in money supply, even though the crisis is characterised by short-term financial sector debt.
- Unwelcome effects (at least initially) on growth, employment and social welfare provision and the living standards of ordinary people.

Looking to the Future in Asia and the Pacific

There has been widespread criticism of the IMF and many commentators have considered their action ill-suited to solve the crisis. The policies will bring deflation, higher interest rates, higher taxes and liquidity difficulties in the best of businesses. On the positive side, there are prospects to bring about positive change in the structure of businesses and their regulation and supervision. The hope is that the shock to the system will lead to more open political systems and an assault on corruption and cronyism. It is time for regional economic co-operation to be reinforced. It is vital that the global economic community takes a long, hard look at what went wrong and why, to avoid the crisis being repeated elsewhere.

In order to meet the challenges of the future there will be:

- The need in many parts of the region to improve the infrastructure, including power, transport communications and financial structures.
- The need to promote human resource development and not let it be a casualty of recession.
- The need to maintain political and social stability, including measures to remove inequalities and provide freedom and justice in the workplace.
- The need to combat future problems triggered by troubled economies or speculative attacks by, e.g. the development of a regional fund and closer financial co-operation.
- The need to develop stronger regional co-operation in order to make:
 - growth sustainable,
 - provide a more precise economic/financial control mechanism,
 - give a social dimension to economic development.

Global Fault Lines

The existence of the global marketplace is an inescapable fact of life. It would be difficult, if not impossible, for individual nations to regard involvement in the global economy as being an option. Such is the all-embracing influence of the globalisation of trade that even reluctant recruits could be forgiven for concluding that “if you can’t lick ‘em, join ‘em”.

But it has to be said that globalisation of the market has proved to be a dynamic engine for economic growth and wealth creation. Generating average growth rates of 6% for

countries like China and India, the global market offers millions the opportunity of building decent lives for themselves and their children. And the key word here is “opportunity”, for the system itself, being driven by market forces, has no in-built social dimension. The global market has no conscience, has no pity, indeed it doesn’t even have an economic plan of its own, let alone a social policy. It is not on automatic pilot. Instead it responds to economic events and reforms and reshapes itself accordingly.

It is for these reasons that despite its capacity for overall economic good, the global market at worst creates and at best fails to address, some crucial human problems, including:

- **poverty**
- **inequalities**
- **exploitation**
- **the informal sector**
- **big business and government**
- **social instability**
- **corruption**
- **and financial instability**

Poverty

- 800 million people do not have enough to eat.
- 1.3 billion people have to live on less than \$1 per day.
- Poverty is increasing in parts of Africa and Latin America.
- In the Sub-Sahara region, per capita income is falling.
- The Human Poverty index measures lack of capabilities such as: life expectancy, education, access to healthcare, etc.
- By this standard the UN estimates one-quarter of the developing world lives in poverty.

Inequality

- The gap between the richest and poorest countries is widening.
- The richest 20% of the world’s population possess 80% of the world’s wealth.
- In 1965 the income per head of the top 20% was 30 times greater than the poorest 20%.
- By 1990 the gap had doubled to 60 times greater.
- The “trickle down” theory of wealth isn’t working.
- It’s not just odd examples like Argentina where the “middle income class” has disappeared. In the USA too, there is a sizeable minority who have been left out of the benefits of growth.



Exploitation

- Affects poor countries and poor and vulnerable people, especially women and young people.
- Over 200 million people work in forced labour conditions. Between 100-200 million school-age children work for much of the day.
- More than 4 million people work in the “Free Trade” Export Processing Zones.
- In the area around Dhaka 1.2 million people work in the garment industry in dreadful conditions and for very low pay. 80% of them are women.
- Up to 30,000 children work in India’s sports goods industry, some as young as 7 years of age.
- Examples of exploitation include a child who earns approximately 30 cents a day for making two footballs, which together would retail for about \$30.

The Informal Sector

- Africa is a prime example of the failure of the formal sector to provide work; the informal sector is the only hope for millions to eke out a living.
- It is estimated that 1,200 million workers world-wide operate in the informal sector.
- And they work outside of labour legislation and protections.
- In the UK there are one million home-based workers, of which 90% are women.
- Many casual and agency workers used by the formal sector are effectively part of the informal sector.
- Much of the output of the informal sector forms part of the high added-value of the global production chain.

Business and Government

- Big business corporations can be more powerful than governments: National and international regulation of employment standards has become increasingly difficult.
- MNCs control about 70% of world trade, employ about 70 million people and typically have a dominating influence over developing nations.
- Governments across the world compete “downwards” to attract MNC investment.
- MNCs enjoy relative freedom as to where to invest, where to produce, where to assemble and where to market in order to maximise market share and profits.
- MNCs are prime exponents of Human Resource Management techniques which can result in problems associated with working methods, working time, payment systems and overall insecurity at work.

- This “alliance of interest” between governments and big business can result in loss of national sovereignty, dilution of labour standards and human rights and positive efforts to reduce trade union influence and protection.

Social Instability

- is caused by down-sizing, re-location, and out-sourcing of work;
- arises from poverty, the growing gaps between the rich and the poor, the break-up of family units, unemployment and anti-social working hours;
- will be a consequence of decay of city centres as the middle class flees for the suburbs, and out-of-town “malls” replace community-centred commercial and social life;
- will be exacerbated by the growth of inner-city crime, drugs trading and the association of poverty with poor health care and education.
- will be further fuelled by growing pressures on welfare costs resulting in hardship for those in need but resentment from many tax payers;
- and the resulting social and economic tensions will become breeding grounds for xenophobia, racism, religious/ethnic persecution and all forms of political extremism.

Corruption

- is a corrosive influence and impedes social and economic progress.
- It undermines “official” credibility, runs counter to the rule of law and moral standards, sets a bad example for citizenship and creates a corrupt culture.
- Measures to combat corruption can include:-
 - judicial independence,
 - separation of powers,
 - reduction of opportunities and increase of penalties,
 - strengthening of monitoring programmes,
 - giving a moral lead from the “top”.

Financial Instability

- When it comes to financial earthquakes, is New York on the same economic fault-line as (say) Bangkok? Does the nature of global sharing of riches bring with it a global sharing of risks?
- Events like the Asian crisis of Autumn ‘97 can be triggered by one or more of a wide range of economic problems, including:
 - poor economic management or performance,
 - poor financial supervision,

- need for structural reform,
 - over-dependence on narrow products or markets,
 - over-confidence or over-stretching,
 - under-developed infrastructure,
 - high levels of investment in over-valued property, and other assets and projects, both at home and abroad,
 - an imbalance of currency values,
 - high balance of payments deficits.
- Of course emerging “tigers” have different vulnerabilities from tigers who are “longer in the tooth”. Equally, the problems of Africa and Latin America differ from those of the developed industrial nations, both in cause and in scale.
 - But the general question concerning the ‘97 crisis is the effect this may have both on the Asian region and the rest of the world.
 - Will devaluations bring extra export-led growth, or
 - Will the increase in costs of raw materials and other imports result in tightened interest rates, deflation and recession?
 - Furthermore, what will be the net effect of capital flows and sell-offs as investors seek greater security?
 - What would be the implications for (especially) Asia and Latin America arising from any steep rise in US trade deficits, particularly if associated with a slow-down of the US domestic economy

The Way Forward: Putting People First

FIET Policies

It is not surprising that FIET’s existing policies reflect the deep concerns felt by workers throughout the world. Our members know from direct and painful experience that the price for structural adjustment and the application of market forces is ultimately paid for by ordinary people and their families. More than this, despite being told of overall economic growth, they see the gulf between rich and poor widening. Workers can share in prosperity only through their labour or by the re-distributive process of a progressive system of taxation. But inequalities continue to exist between regions, between nations and groupings, between young and old and men and women. This is why FIET is committed to the following policies:

- Strengthening human and trade union rights and developing collective bargaining.
- Promoting full employment and lifetime education and training.
- Raising living standards and promoting active labour market policies.

- Removing historical “third world” debt.
- Abolishing child labour and exploitation.
- Eradicating hunger and poverty.
- Caring for the environment.
- Reducing inequalities and unfairness.
- Promoting balanced growth for quality jobs.

Building on Influence

In striving to make a better world by putting people first we must aim to put our message across at every level by seeking to influence:

- international agencies,
- regional and national government bodies and institutions,
- employers,
- our members and potential members.

FIET’s aims have many facets of detail, but the overall theme is very clearly that of seeking to put a social dimension into the global economy and its constituent parts, in order that the interests of people come first! We must use every available opportunity to promote our policies, including the following measures:

- Developing campaigning activities.
- Producing publicity material and making the maximum use of the media.
- Developing our Internet facility.
- Organising focused lobbies and days of action.
- Seeking to put a social dimension into regional agreements and accords.
- Supporting sound initiatives on the part of international institutions such as the “War on Want” campaign “Invest in Freedom”.
- Promoting our policies with bodies of trade or sector influence, including employers’ associations.
- Exploring new ways of sharing with other like-minded bodies, avenues of influencing the work of social and economic policy-makers.
- Maintaining and developing our own relationships with political and economic institutions at every level.
- Co-operating with the ICFTU, other ITSs and similar bodies.

The Challenges Ahead

The events of 1997 demonstrate that economic stability has many common parallels with the maintenance of successful personal relationships. They both need to be worked on if they are to be sustainable. When greed, complacency, intolerance or indifference creep in, then things can start to break up. That is why we have to put people first.

No country or region is immune from the possibility of crisis, so the following four action points are in the interests of all:-

- A strengthening of regional and global co-operation.
- A clear policy for crisis management, including the establishment of Regional Solidarity Funds.
- A determination to have effective regulatory provisions in the financial sector.
- A determination to promote meaningful dialogue between nations and between unions, employers and government, so that economic planning can be co-ordinated with the inclusion of the social dimension.

It is to be hoped that events like the 1997 crisis will not lead to negative “fortress” policies, but will instead give a new impetus to the importance of making the economy work for the benefit of people. Growth has to be sustainable. It has to enhance employability, and reduce joblessness, poverty and inequalities. It has to remove barriers which result in people and nations being excluded from the opportunity to share in global prosperity. Economic stability will ultimately depend upon social stability. After all, what is the use of an economic system which does not serve the needs of people?

This may all mean that a new way has to be found to harness the wealth-producing capacity of the global market so that it meets the social needs which will make it sustainable. Do we really have to make a choice between heartless capitalism (which is driven solely by market forces) and systems which are socially driven but which may lead to lower growth and lower productivity? Must the two systems be mutually exclusive or can the idea of “complementarity” bring a new era of caring prosperity, by letting the market produce the wealth but distributing the rewards in a socially acceptable way that would not damage the dynamics of the market? Clearly, the future calls for a great deal of thought and an abundance of co-operation and goodwill. But there again, aren't these the very ingredients which are necessary to promote successful social dialogue and bring about the world we want to see - a world where people come first in the global economy.



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