

Recensions

Book Reviews

Jobs and Incomes in a Globalizing World

by Ajit K. Ghose, Geneva: International Labour Office, 2003, 130 pages, ISBN 92-2-112717-6.

This is a timely book about the labour market effects of globalization – specifically, the effects of globalization on jobs, wages and incomes in industrialized and developing countries. Ajit Ghose defines globalization as “a process of integration of national markets into a global market.” Globalization, he writes, is of such great concern now because of a new development: trade between developed and developing countries in competing products.

Following an introduction and a discussion of globalization, the four core chapters of the book (Chapters 3-6) each address a major area of concern. First, the changing pattern of trade has had a differential impact on various countries’ trade performances. Second, the redistribution of manufacturing employment has affected wages and employment in both developed and developing countries. Third, there has been no liberalization of international migration. Fourth, there is concern that competition to attract trade and foreign direct investment may have set in motion a “race to the bottom.”

Chapter 3 presents data on trade and global income inequality. Ghose distinguishes three concepts. The first is *inter-country inequality*, which considers the distribution of countries by per capita GDP. The second, *international inequality*, focuses on the distribution of population-weighted GDP’s. The third, *world income distribution*, is defined

as the inequality of income received, assigning each income recipient his or her actual income. The third approach, though most desirable, cannot be implemented owing to non-availability of data. Consequently, Ghose uses the other two, with a clear preference for the second. What is striking is just how much difference the choice makes: from 1981 to 1997, inter-country inequality exhibited a substantial *increase* (Figure 3.2) while international inequality exhibited an even more substantial *decrease* (Figure 3.3). This, notes Ghose, is a novel feature of the global economy. Moreover, he writes that globalization has actually had a favourable effect on global income inequality, which in turn derives in large part from the positive impact of globalization on economic growth.

Chapter 4 addresses trade, jobs, and wages. Ghose presents a theory of trade with less than full employment, which in my view is considerably more realistic than standard trade theory. He notes too that jobs in export industries are typically the best available in these economies. Wage inequality has risen in many countries, but it is skill-biased technical change, not international trade, to which Ghose assigns primary responsibility.

Chapter 5 analyzes trade and international migration. The story is straightforward. International migration doesn’t help developing countries deal with

their major problem, surplus low-skilled labour. International migration of the unskilled remains one of the great unmentionables in most development policy discussions today.

Chapter 6 turns to trade and labour standards. Ghose asks whether standards should be evaluated for particular industries or economy-wide. He favours the latter, as do I. He then questions whether a "race to the bottom" is taking place using three possible definitions. The first is that labour standards in industrialized countries are being eroded because of trade with developing countries; Ghose finds that "there is no empirical ground for arguing that globalization has induced such a thing." The second definition is that developing countries may be dropping their already-low labour standards to expand manufactured exports and attract foreign capital; here too, he finds "there are no good reasons to think that a race to the bottom in this sense is under way." And third, a race to the bottom might arise if competition among exporters of primary commodities to industrialized countries can cause a fall in international prices of primary commodities; this, Ghose says, has been under way for quite some time. He then asks what is the best way to improve labour standards in a developing country, and comes out favouring "changing the structure of employment" in preference to legislating or in other ways establishing prescribed standards. I fully agree.

The concluding chapter is particularly interesting. In it, Ghose addresses "unfounded anxieties" and "worrying developments." Among the unfounded anxieties are rising world inequality, declining labour standards, and growing poverty. Rather, Ghose writes, "It cannot be doubted that export growth has increased the average quality of employment in these countries. This is also evident from the rising real wages

and the declining incidence of poverty." On the other hand, there are numerous "worrying developments" that have not received sufficient attention in his view. He enumerates these: many developing countries remain excluded from the global economy; trade liberalization has led to non-beneficial integration into the global economy for some developing countries such as Brazil and Mexico; globalization has not had a stimulating effect on global economic growth; international migration is primarily of the brain drain variety; labour market policies in many industrialized countries are not sufficiently geared to the problems of deindustrialization; labour market policies in the integrating developing economies are not sufficiently addressed to labour market churning; and "it is through a process of overcoming the problems of unemployment, underemployment and poverty that labour standards can be improved."

I find this volume to offer an eclectic, non-doctrinaire perspective on the debate on globalization and its impact on workers. Thus, I have decided to adopt it as a required text for the course I teach to undergraduates and professional masters' students. I also carried it with me recently to a professional conference to show my colleagues what position an ILO researcher has now found fit to take (and the ILO has now found fit to publish).

Every night, millions of television viewers in North America and around the world watch CNN's *Lou Dobbs Tonight* program and learn which companies are "Exporting America" by "sending American jobs overseas" or "employing cheap foreign labour." As an antidote to the Lou Dobbs view of the world, Ghose's *Jobs and Incomes in a Globalizing World* has much to commend it.

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