



Deglobalization and Labour: A New Era?

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Since the mid-1990s globalization has increasingly been associated with reduced demand for low-skilled jobs in industrialized countries and with an increasing tension for fair labour standards such as minimum wages and workplace regulations in developing countries, but also in industrialized countries. However, in a flat world, so it was argued by the proponents of globalization, regulatory competition to improve labour standards would lead to lower growth (Friedman, 2005). Distance was dead and therefore non- or low-skilled jobs in the advanced Western market economies would be lost to other countries, but the presumed economic growth in advanced countries would be able to compensate the losers from globalization. The policy prescription was clear, but the results were not. Workers in industrialized countries and social activist in developing countries actively pleaded for deglobalization policies. That wish may have become true: after the Great Recession in 2008 international trade declined and protectionism increased. But has it brought a better world for labour in general and

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more specifically after the outbreak of the COVID-19 pandemic? How will all this play out for labour in a post-pandemic world.?

It is important to observe that the second wave of globalization already had come to an end at the time Walden Bello produced his influential *Deglobalization: Ideas for a new world economy* in Bello (2005). The culmination point of globalization seems to have been around 2007/8 just before the start of the financial crisis. A phase of deglobalization was set in motion driven by a global trade slow down, increasing trade uncertainty and geopolitically inspired trade destruction by the former US president and the current UK prime minister (van Bergeijk, 2019). The SARS-CoV-2 virus therefore did hit a global system with underlying conditions of lacklustre global cooperation (van Bergeijk, 2021). It also exposed a longer trend that drove the income share of the super-rich up and the global poor down: The labour share shrunk as the capital labour ratio increased, asset price inflation fed housing prices and stock markets alike and white-collar jobs could by and large be maintained working over the internet from home. Between countries, income disparities increased. Within countries, inequality increased everywhere, in low-, middle- and high-income countries.

According to the ILO (2021) poor workers are becoming poorer as some 600 million people work in sectors which are hardest hit and that pay poorly. The marginalized poor and informal sector workers live and work under conditions that are conducive to contamination, the work places are over-crowded, housing is poor often without access to hygienic facilities and lockdowns are not a realistic tool since their livelihoods are threatened. On top of that, the generation gap is increasing, with a greater number of younger workers being excluded from the labour market and having to work under precarious conditions, while relatively privileged workers are better sheltered from the COVID-19 economic outfall (Fig. 1).

The fall out of COVID-19 reinforces the ongoing trend of deglobalization. Should we therefore embrace globalization again as happened at the end of the twentieth century? That would be an unwise and too fast conclusion. As Stiglitz (2002) did argue two decades ago, the critics of globalization were concerned by unfettered globalization that was not managed, neither at international nor at national level. The observed increasing inequality is a consequence of the fact that global shocks (both positive and negative) and the absence of global governance in the end always favour the (internationally) mobile factors of production, typically capital

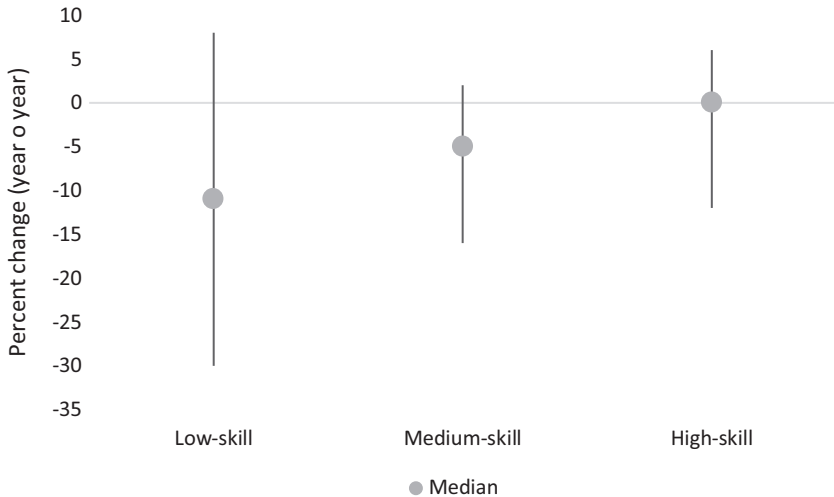


Fig. 1 Change in employment by level of skills (2020Q2). (Source: calculations based on data underlying ILO (2021, Figure B2))

(owners) and the better educated (Stiglitz, 2002, 2018. van der Hoeven, 2017).

So while globalization and deglobalization are different phenomena that look like symmetric concepts, the impact of the shocks on labour is similar. It is therefore important to consider under which national and international rules globalization and deglobalization can be managed, along similar lines as Nayyar (2020) has argued in *Governing Globalization, Issues and Institutions*. Our point is that deglobalization needs the same (global governance) for the same reason (the impact on livelihoods). The World Commission on the Social Dimensions of Globalization (2004) succinctly stated:

We believe the dominant perspective on globalization must shift more from a narrow preoccupation with markets to a broader preoccupation with people. Globalization must be brought from the high pedestal of corporate board rooms and cabinet meetings to meet the needs of people in the communities in which they live. The social dimension of globalization is about jobs, health and education—but it goes far beyond these. It is the dimension of globalization which people experience in their daily life and work: the totality of their aspirations for democratic participation and material prosperity. A better globalization is the

key to a better and secure life for people everywhere in the twenty-first century. We also propose a process by which such a perspective can be realized at all levels, beginning with empowered local communities and improved and more accountable national governance; fair global rules applied fairly; and global institutions that are more pro-people. (p. vii)

Van der Hoeven and Vos (2021) argue that the global consequences of COVID-19 could have been less severe, and that much of the increase in global poverty could have been prevented, if the international financial system had been fit for purpose and the supply of vaccines would have been global and not captured by the developed countries.

The current context of a post-pandemic recovery provides a unique opportunity for a new approach that needs to be different from the dominating financial globalization and unchecked opening up of economies without much consideration of potential drawbacks that characterized the second wave of globalization at the end of the last century. This new phase should be characterized by recognizing the political and societal harm of a cleavage in the labour market and of growing inequality between capital and labour, without retreating into protectionism as populist leaders in the North and the South proclaim.

Gallagher and Kozul-Wright (2020) call for a ‘New Multilateralism for Shared Prosperity’, that recognizes the fault lines of the second wave of globalization that Rodrik (2019) has labelled ‘the “hyper-globalism,” under which the priorities of the global economy receive precedence over the priorities of the home economy. According to this model for the international system, countries must maximally open their economies to foreign trade and investment, regardless of the consequences for their growth strategies or social models’. ‘Ultimately, a healthy and sustainable world trade regime would be one of “peaceful economic coexistence,” in which different economic systems prosper side by side rather than being pressured to conform to a single mold favored by international corporations’ according to Rodrik. Deglobalization is not the answer to hyperglobalism, of course.

Rodrik and Stantcheva (2020) call for a new economic order requiring an explicit quid pro quo between private firms and public authorities. ‘To prosper, firms need a reliable and skilled workforce, good infrastructure, an ecosystem of suppliers and collaborators, easy access to technology, and a sound regime of contracts and property rights. Most of these are provided through public and collective action, which is the government’s side

of the bargain'. Governments, of course, must ensure that firms are incentivised to internalize the external effects of their decisions to produce for their communities and societies. 'And firms must live up to their side of the bargain—not as a matter of corporate social responsibility, but as part of an explicit regulatory and governance framework'. Importantly this new approach should no longer separate pro-growth policies and social policies. Faster economic growth requires disseminating new technologies and productive opportunities among smaller firms and wider segments of the labour force, rather than confining the use of new technologies and neue kombinationen and their benefits to the elite the target should be to decrease inequalities and insecurities. Moreover, Rodrick and Stantcheva (2020) are spot on when they argue that growth and social agendas are one and the same, but their focus on national agendas misses the point that the pressing problems are global and require a global answer. We need to move from macro-economics to earth economics. The post-pandemic world despite the current phase of deglobalization remains connected as never before. The pandemic has forcefully made that point and suggests urgent action to reduce the inequalities that are the breeding ground of the next pandemic.

Key in the post-pandemic policies would be a recognition of the plight of labour especially the growing group of precarious workers in both developed and developing countries, because it is they who have lost out most.

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