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Creating jobs in the 21st century

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- The entry of China, India and Russia into the global economy poses an unprecedented challenge to living standards in the developed countries of the OECD. The global labor force has effectively doubled in just 15 years and the 1.4 billion new entrants work for wages and in conditions far below those of workers in the developed countries.
- Unless appropriate policies to balance globalization and provide decent work and sustainable development are adopted by developed as well as developing country governments, this enormous expansion of the global labor force will produce even greater inequality between rich and poor; between capital and labor.
- In the U.S., the historical relationship between higher productivity and real wage growth that powered rapid growth and broadly shared prosperity in the boom years after World War II has been broken over the past two decades. Even while the economy grows and overall productivity and profits surge, American workers are suffering a generation-long stagnation of wages and living standards.
- The effects are already seen in many developing countries as well -- as companies threaten to shift production to China where workers' rights to organize are not respected. Assuring the human rights of workers must become as important an objective of international trade and investment agreements as protecting intellectual property rights and other corporate interests.
- Globalization does not have to reduce living standards. But when the policies are as unbalanced as they are now between the interests of corporations and workers, a drop is inevitable. Developing countries must be given equitable access to the global economy, but we need the right policies and the right rules to globalization to ensure a "race to the top" -- not a "race to the bottom."
- The OECD was founded by governments to promote growth and development through global cooperation. It has an important role in helping build a consensus around a balanced set of policies to guide the globalization process.
- Given the enormous differences in wages in the global economy, how can companies in high wage countries meet the competition from companies in the lower wage countries without undermining the wages and living standards in the developed countries? It is a tough question. The U.S. has lost 3.5 million manufacturing jobs since 1998, more than half of them to companies losing market share or off shoring production to cheaper places. Alan Blinder, the distinguished American economist, estimates that as the challenge of off shoring spreads to services, as many as 28-52 million American jobs are currently at risk. The OECD has produced estimates that paint a similar picture.

- The solution is no secret. Companies must adopt new business and competitive strategies that focus on high quality products and customer service and continuous innovation. Ordinary workers hold the key. Every day, they learn about products and processes. Companies that do not reward workers fully or provide incentives will not win the workers' commitment to share that knowledge. They will be unable to harness the unique firm specific knowledge needed to improve quality, productivity and build sustained competitive advantage.
- Workers will respond positively to these challenges of change in return for reasonable security and benefits such as proper training, health insurance, pensions, and so on. Nordic countries have demonstrated that robust social welfare and active labor market policies help provide a solid framework for companies as well as workers.
- The OECD recognizes the value of Nordic labor markets, so why does it not map out a strategy to help other countries adopt this approach for a change? After all, where insecurity and fewer rights are the norm, as is the case in the US -- and, to a lesser extend, the UK -- the supply of worker commitment and skills is badly compromised.
- Supporting development and making a place in the global economy for hundreds of millions of new workers without undermining the living standards in OECD countries requires concerted action by governments to forge more balanced global economic policies. It also requires corporations to see beyond CEO and shareholder interests.
- The OECD is the forum where serious discussion on these matters can take place. To be useful, however, our discussions must honestly and pragmatically address the challenges we face. And we must leave our ideologies and textbook theories at the door. Business as usual will not restore balance to the global economy. A major new policy consensus is needed.