

Global employment: Two reports in search of the problem

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United Nations Department of Economic and Social Affairs (2007) *The Employment Imperative*. New York: United Nations.

A.K. Ghose, N. Majid and C. Ernst (2008) *The Global Employment Challenge*. Geneva: International Labour Office.

This version of the article was accepted for publication in *Development and Change*, Vol.40, No.6, 2009, pp.1319-1337. The published version can be found at <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-7660.2009.01617.x/abstract>

INTRODUCTION

Two contrasting reports supposedly dealing with a similar theme emerged within a few months of one another, and both were unfortunate in their timing, coming amidst the global financial crisis that ended globalization as we had come to know it.

Chronologically, the first was by the United Nations in its series on the 'World's Social Situation'. Although not mentioned, I must begin by acknowledging that I drafted the report, which was revised by the UN DESA Secretariat, with significant cuts and insertion of ILO statistics, on which I was not invited to comment. The Report's origins lay in a desire to consider trends in patterns of work and policies for improving work around the world. After it was written, two chapters were removed, one dealing with innovative approaches to social protection, the other with corporate labour practices, and the title was radically changed, along with the underlying message.

To do justice to the original, there should at least have been a question mark to the title, so as to read *The Employment Imperative?*¹ For implicit in the analysis is the question whether employment should be an end in itself, and implicit in that is a question about whether direct job creation policies are optimal in a development context. In brief, the intended message was that if policies and institutional changes concentrated on fostering basic economic security and communities in which livelihoods could be developed, that might be preferable to maximizing wage employment.

The second book was originally intended to be the International Labour Organization's *World Employment Report*. But something happened in the cooking. The ILO team designated to produce it seemed not to produce the sort of report the Organization's leadership wanted. Given the lead author's past work and views, that should have been anticipated. Somebody should have been responsible for the outcome. After all, several years were absorbed in preparing it, many

¹ It gives the game away that the Preface by the new head of the UN's Department of Economic and Social Affairs states that full employment is an imperative, whereas the later text states, "Full employment" and "decent work" are conflicting concepts, to the extent that there will always be a trade-off between quantity and quality' (p. 151). I went on to make an appeal to treat all forms of work as 'equally legitimate'. The blurb claims the Report recommends policies to create full employment. Anybody reading the text will see this is not what it does.

economists were involved, with many others thanked for their contributions, and the cost of the exercise was well over a million dollars. We will not go into that here. In the end, the authors were allowed to turn the report into their own book. But as it was issued with the ILO's imprint, we are entitled to consider it as an ILO publication. It is odd that it does not deal with the vague term 'decent work' that the ILO has so assiduously promoted as its slogan. The term does not even figure in the index. Furthermore, earlier ILO work that contradicts many of the book's assertions is disregarded, which reduces the book's value.

Although the theme of the UN book was eroded by changes made after the ILO was asked to comment on the draft, there remains an interesting contrast between it and the ILO book. Essentially, the UN report was based on the premise that a strategy for enhancing economic security would generate livelihoods and other forms of work, whereas the theme of the ILO book is that a strategy for boosting employment would deal with poverty. The UN book considers an array of selective policies for improving the nature of work and focuses on seven forms of labour-related insecurity, whereas the ILO book gives minimal attention to any of them. The underlying analytical perspective of the two books also differs sharply. The UN report is about the impact of globalization and labour flexibility on work and labour, whereas the ILO book takes a regionalized view, although scarcely linking the regional blocs and the formal–informal dualism it chose to impose on its database.

The ILO team begins by briefly presenting a picture of the changing size of the world's labour force, drawing on the notion of labour force participation. It then argues that productive employment is scarce in developing countries because 'productive resources' are concentrated in developed countries, and asserts that foreign private capital crowds out domestic capital. It then claims that unemployment in developing countries is a reflection of a sharp 'dualism', and that the 'non-formal' segment uses 'basically unskilled labour'. *En passant*, it says that labour regulations should not induce capital–labour substitution and warns against 'brain drain migration'; it favours 'brain circulation'. In what they probably see as the central part of the book, the authors then deal with what they call the employment–poverty 'inter-face', taking the position that besides economic growth, boosting informal employment would be an effective way to reduce poverty. To give weight to the claim that this is a global challenge and report, it claims there has been 'skill-biased technological change' in developed countries, which should be treated by labour market policies, including training and wage subsidies.

The perspective and conclusions are scarcely new, and, as suggested below, the book takes a very narrow definition of globalization. It also does not consider the extensive literature and evidence on the changing nature of labour and work. In that regard, there is an alternative model taking shape, one that begins by depicting globalization as the early stages of the emergence of globalized markets in which the bargaining power of workers is systematically weakening, such that the functional distribution of income is becoming more skewed in favour of capital, while *all* labour markets are becoming more flexible and informal, such that more and more people are being exposed to chronic economic insecurity. In that context, the challenge cannot sensibly be compressed into a dualistic informal–formal model epitomized by this book. The search should be for new forms of redistribution, regulation and social protection, based on the realization that the global labour market is increasingly *tertiary* in character, for which labour force concepts designed for industrial societies are ill-equipped.

The following commentary focuses on the ILO book as an approach to global trends in 'employment'. It examines whether the conventional framework used by the authors is appropriate, and whether it allows social scientists to analyse the relevant issues and consider the relevant policies and institutional changes. It starts by reflecting on the concepts and statistics used throughout the book.

CONCEPTS AND DATA

Both the UN and ILO books draw on official labour force data. In the draft of the former, there was considerable discussion of the validity of such data, both conceptually and statistically. Regrettably, after intervention from the ILO, those passages were removed. Readers should be warned that there is reason to regard global numbers with scepticism. However, the ILO book, after giving a warning about the incomplete statistics, proceeds to give a cursory review of the 'world labour force structure and its evolution' that is remarkable for its adherence to old concepts.

Without defining the statistics properly, it draws on the ILO's database, claiming 'precise analysis' is only possible for 1990–2003. If the statistics are unreliable, one cannot have precise analysis. The authors say that analysis is based on data for 193 countries. But since they admit there are no statistics on employment and unemployment for many countries (p. 2), it is unclear how they can give 'precise' figures for the global labour force (p. 9). They say little on how the figures were estimated; the reader must take them on faith. A footnote does say that the labour force refers to 'persons aged 15 years or more'. This is not how it is defined in many countries, which is often something like 'aged 16 to 64'. With global ageing and with more people being in pensioned retirement, particularly in developed countries, it is scarcely surprising if there is a decline in labour force participation rates if the data include all those aged over 60.

Conventionally, the labour force is defined as comprising the employed, self-employed (sic), unpaid family workers and the unemployed, defined in some sense. Logically, you cannot have 'precise' labour force data unless you have 'precise' data on unemployment. It is one of the worrying aspects not just of this book but of the ILO's general statistics that they give out figures on the world when many countries do not have up-to-date statistics, and in some cases few statistics at all. To give figures to one decimal point, and even two decimal points (as in some tables in this book) is unjustifiable. Later, they contradict themselves since they say there are no unemployment data for many of the countries included in chapter 2.

Readers of this journal could be expected to be interested in the claim that 'the labour force participation rate tends to be higher at lower levels of economic development' (p. 10). As has long been known, the situation is not that simple. Indeed, the concept is meaningless in low-income environments. The claim looks odd when set against a claim made later that developed countries are more 'feminized'. We will come back to the gender 'story' later.

The ILO has been trapped in a concept that might have been reasonably useful in an industrialized society, and was invented for use in such a context. This is the labour force participation rate. It is likely to distort reality in both agrarian and tertiary societies. It is defined as the number of people in wage employment, in self-employment or doing activities for family

gain, plus the number measured as unemployed, divided by the number in the 'working age' population, usually defined as something like all those aged from 16 to 64. At every point, this concept requires essentially arbitrary decisions. To modify a quip made by Arthur Pigou, if a man hires a housekeeper, national income and employment go up; if he marries her and she continues to do exactly the same work, national income and employment go down (and perversely the unemployment rate goes up). But the problems are compounded by the existence of highly flexible and informal labour markets. Suppose a person does labour for a wage for ten hours in the week, spends twelve hours looking for a better-paying job, and thirty hours doing 'housework'. Such situations are very common. Classifying the person as employed, unemployed or economically inactive is essentially arbitrary, and certainly would give a distorted picture of what he or she was doing. Words like 'main' and 'usual' activity do not resolve the problems. The criticisms of the concepts and their use have been made over many years. They have never been adequately answered. So, to hammer the point: in a world made up of diverse forms of work and labour, simple dualisms are so dubious that they should be shunned. Almost complete reliance on them is inexcusable.

An example of the misleading character of conventional labour force statistics relates to older people. In this book, there is a short section on 'ageing', which is regarded as 'a problem' only in developed countries (p. 17). This belittles the fact that already two-thirds of the world's over-55s live in developing countries. It also affects the authors' interpretation of the labour force statistics, since they take little account of ageing in their assessment of other aspects. In some countries, anybody over the age of about 60 virtually disappears from 'work' statistics. If they were in a job and lose it, they tend to be shunted into the 'retired' column even if they continue to look for a paid job and do other work. In others, all those over a certain age are simply excluded from the labour force, even if they are still in jobs. These are conventions which do not do much statistical harm if the number of elderly is small, but ageing is a global phenomenon.

This also affects the assessment of the world's 'skill structure'. Here the authors might plausibly argue that they merely did what other analysts have done. But that is not good enough. They equate level of schooling with skill (pp. 20–21). This means that, if they have little schooling, carpenters, masons, ploughmen, mechanics, seamstresses and a host of other craftspeople are dismissed as 'unskilled' or 'low skilled'. This bourgeois bias should be rejected. The fact is that no country in the world has an accurate estimate of the skill structure of its population.

Even on their definitions, some of the statistics are intuitively odd. According to Table 2.6, one in every forty women workers in rich developed countries has *no education* at all, along with one in every twenty in Eastern Europe. Given compulsory schooling in all those countries, this is implausible. The book also claims there is 'a *de facto* upper limit' of average years of education, namely twelve (p. 22). Why? How do we know? If one starts school at age 6 and goes on to take a degree, that is fifteen or sixteen years. The authors had even more!

The fact is that schooling is an inadequate guide to skill. The authors should have grappled with labour concepts just a bit. Carpenters and mechanics are skilled. They may have left school early. That does not mean they should be treated as 'unskilled'. Churning out schooling statistics as if they were fine proxies of skill does a disservice to labour analysis, especially as the authors ignore attempts to go beyond such misleading proxies. And their brief assessment of 'skill' is

further vitiated by the fact that they do not control for age. That becomes awkward when they analyse changes in labour supply, and particularly deduce anything about women's work and unemployment.

FEMINIZATION?

The problems with the concepts and statistics are best illustrated by the dismissive treatment of women's work. The book pays only passing attention to women's economic activity, in a way that has been criticized by numerous social scientists, the classic reference work being that of Boserup (1970). Although they make no attempt to justify doing so, the authors of this book interpret the labour force participation rates, which have been shown to be so problematic, as appropriate. From these, the authors claim, 'Contrary to a widely held impression, there is no clear trend towards feminization of the world's labour force' (p. 30). If one relies only on conventional participation rate data, then one might wish to argue that.² However, since the authors admit that their data are dramatically incomplete, with no data at all on female unemployment in a majority of their 193 countries, such a claim must be regarded as heroic.

In the twenty-first century, one should do better than this. Women all over the world are working incredibly hard. It is the pattern of their work that has been changing. In tertiary societies, in particular, there is considerable evidence that gender patterns of wage employment and unemployment are changing. To give just one instance, in the first year after the onset of the first global recession in 2008, up to three-quarters of all those losing their jobs in the USA were men, even though the steady rise in female employment had resulted in men and women holding nearly equal shares of all the recorded jobs. That is a dramatic change compared with, say, what happened in the early years of the Great Depression.

Later the authors say there is no 'tendency for the average quality of women's employment to be better or worse than that of men's employment' (p. 85). Even their data cast doubt on this.³ But 'feminization' is about the share of women in various forms of employment and work. Had they analysed the extensive census data that exist they might have found that, in the globalization era, women have taken a rising share of employment, and in many countries their relative unemployment rate has fallen. This does not necessarily mean that women's social or economic situation has improved; but it does say something about the changing character of labour markets and patterns of flexible labour.

One problem is that the statistics used in this book seem to refer to 'main activity'. We are not told this, nor is there an explanation of how the data deal with people who do multiple activities. Often, women are classified as economically inactive or active almost arbitrarily. One wonders how the authors would categorize someone who did three hours of paid work last week, and spent twenty hours searching for a job and thirty hours looking after a child. According to many surveys of the type that the ILO use, primacy is given to paid work, so that if a person did more than just one hour in the reference week, they would be 'employed'. Other surveys go for 'main

² The ILO book is consistent with the ILO's official *Global Employment Trends 2008* (ILO, 2008) which cited labour force participation as showing the percentage of women 'either looking for work or working' as declining. Unfortunately, the Table 2 to which that report referred readers (p. 11) showed nothing of the sort.

³ It is strange that in Central and Eastern Europe, according to Tables 2.11 and 2.12 of the book, the male participation rate fell by more than the female; yet the authors claim the female share of the labour force fell.

activity', often self-defined, which may reflect which type of activity the person allocated the most time to, or which she regarded as the most desirable or remunerative.

These issues are well known, and are less distorting if one is dealing with an industrial economy where the vast majority are either in full-time wage labour or outside the labour force. But in agrarian and tertiary societies, which comprise the majority of the world's countries, the conventional statistics are arbitrary and distorting. Women's work tends to disappear from statistical view.

Even when it does not, one must be careful about interpreting the gender story. The authors claim that 'we can plausibly suppose that, for both male and female workers, there would be an inverse relation between the percentage of self-employed and the percentage of casual/irregular wage workers' (p. 88). This fails to understand the nature of the emerging global labour process. In many countries, there is strong evidence that *both* so called self-employment and casual wage labour are rising, and that they are doing so at the expense of declining regular stable wage employment. Similar forces have been boosting labour contracting and casualization. This poses a profoundly different policy agenda than one built round an image of old industrial labour statistics.

In sum, for reasons given elsewhere, feminization has actually been rapid in the globalization era (Standing, 1989, 1999; see also, among others, Cagatay and Ozler, 1995; ILO, 2006). The authors of this book say the trend is 'hard to predict'. It is not clear why. One can be confident that it will continue to grow, and that women will take a rising share of employment, and be more integrated into the economic mainstream. There are discriminatory barriers to be overcome, and any sensible policy agenda should give a prominent place to advancing women's work rights. Unfortunately, this book does not consider such an agenda.

TIRED DUALISMS

For over three decades, many ILO publications have couched analysis in terms of a dualism of 'formal' and 'informal' sectors. For a while, it seemed this had been shown to be misleading. The book under review goes backwards. It surely makes no sense to divide China — a country of over one billion people — into such a dichotomy.

One problem is that nowhere do the authors discuss employment changes in terms of the price mechanism. The famous Lewis model of 1954 had a perfectly elastic supply curve induced by an unlimited supply of labour from rural and urban slums, so that wages were constant in the 'modern sector'. But what has happened to wages in reality? There are various models with efficiency wage considerations, and so on. Unfortunately, the authors do not discuss wages or the dynamics of their dualism. There is a mechanical device, without any sense of development or historical dynamics.

Even so, their dualism is hard to understand. The formal segment seems to consist of regular, full-time wage jobs regulated through legislation and collective agreements (p. 61) whereas the non-formal consists of self-employed and those doing casual wage labour. It is unclear where contract workers supplying labour to multinationals would be classified, or where part-time employees would fit, or why a self-employed doctor should be called non-formal.

That aside, the book claims that surplus labour exists only in the non-formal segment. This neglects the millions of surplus workers on the books of Chinese state enterprises in the period covered. We found that as of 2001 about 20 per cent of workers were under-employed (ILO, 2004). Another feature claimed is ‘the near-total absence of institutionalized social security’ in developing countries (p. 58). In the period covered, China still operated the *danwei* system that provided comprehensive social protection to millions of workers. Other countries with some system included Brazil, Chile, Cuba, Mexico, South Africa, South Korea, Vietnam and various smaller countries. None had ideal systems, but millions of workers had some entitlements, as was brought out in a report which I co-ordinated for the ILO (2004).

This dualism leads the authors into trouble. When they discuss poverty, for example, they claim: ‘In short, it is growth in the non-formal segment that reduces poverty, while growth in the formal segment has little or no effect’ (p. 134). In the immediate footnote, they contradict themselves but say that ‘spill-over’ could not occur ‘because in labour-surplus dual economies lack of capital (and skills) constitutes a binding constraint on output growth’. This has not been shown. Without advocating it, one can easily imagine growth of incomes of those working in ‘high-skill’ formal activities leading to demand for services of the poor. How many middle-class Indian families hire domestic staff when their income rises?

At this point, one can merely say that any dualism is obfuscating. There are better ways of conducting analysis. An approach that focuses on specific relations of production yields more insights into the dynamics of the labour process. One aspect of globalization is that labour markets are becoming more flexible, which means, *inter alia*, that all sectors are characterized by an array of different types of labour relation. This type of dualism does not help.

EMPLOYMENT AND POVERTY

The ILO book has a chapter on the ‘interface’ between poverty and employment. It could provide useful exam questions for years. The basic argument is that to reduce poverty in developing countries, policies must boost ‘employment conditions in the non-formal segment’, which requires policies to boost the informal economy. This is consistent with the ILO line, which depicts labour as the route out of poverty and ‘decent work’ as decent labour.

The chapter starts with claims about poverty that would have benefited from a reading of Ashwani Saith’s critique (Saith, 2007) and makes the assertion that distributing available resources (aid) to the poor ‘defies imagination’ (p. 124). Hardly. After years of campaigning for universal cash transfers, I personally am delighted that they are being recognized as an effective way of overcoming poverty and economic insecurity while promoting work and livelihoods.⁴ Only if you take an orthodox approach, focusing on employment, do you ignore the capacity of cash transfers to boost livelihoods, including care work, community work and basic subsistence activities.

⁴ Regrettably, thus far, cash is being placed in *conditional* cash transfers. Even the World Bank, long hostile, has come round to that view. Unfortunately, that in itself has prompted some development policy thinkers to become hostile, on the grounds that it must be a conspiracy to limit government efforts to deal with the structural causes of poverty. This is patently absurd. For a defence of unconditional cash transfers, see Standing (2008c).

At the time of writing, I am involved in an evaluation of a pilot basic income scheme in Africa that has been boosting women's economic activity and curbing poverty, not just through the cash but through community-wide multiplier effects. Cash transfer schemes are spreading fast, as in Brazil where the *bolsa familia* gives transfers to 44 million people already, and in Mexico with its *oportunidades*. Foreign aid and tax revenue could be used to finance such schemes. It is a poor sort of imagination that cannot deal with that.

The chapter claims that nobody has asked how economic growth reduces poverty (p. 124). The argument is tortured, and best left aside. The claim is then made that if growth cuts poverty it must do so by raising the quality and quantity of employment of the poor (p. 126). Not necessarily. Such a view ignores the huge intra-family, intra-community and state transfer of benefits that occurs in developing countries. I am also involved in a survey of economic insecurity in Gujarat, in which ninety-three government schemes involving transfers to the poor have been identified. They may be corrupted, but the premise on which the ILO team built their analysis simply does not hold. Many forms of income transfer can and do take place, and income poverty may decline without any improvement in the quality or quantity of employment, however much one might wish to see that improvement.

The trouble is compounded because we are not told what poverty measures cover. Regrettably in this regard, the final version of the UN report removed a section on 'social income' that went into this matter. Globalization and labour flexibilization are transforming remuneration systems, so that money incomes may not be a reliable guide to social income. We know, for instance, that for several decades employees in Chinese state enterprises received low money incomes but received a wide array of non-money benefits under the *danwei* system. The latter have collapsed, while money incomes have risen.

We are not told how the poverty figures are estimated. The authors justify using data 'that have well-known limitations' on the grounds that 'those are most widely used' (fn. 48) and that they are only interested in trends. That would only be justifiable if (a) relative prices did not change, and (b) the structure of social income did not change. Due to globalization, the latter has not held. Thus, state and enterprise benefits on which many workers relied have been cut in many countries, including China.⁵

That aside, there are some peculiar features of the chapter. The treatment of China is perplexing. On p. 127, we are told that poverty fell from 33 per cent in 1990 to 16.6 per cent in 2001. On p. 143, it fell from 53 per cent in 1981 to 18 per cent in 1985, an awe-inspiring achievement. Having said that they would adhere to one set of definitions of poverty, they did not do so. A little more scepticism about the numbers would not have gone amiss.

Second, although there are contradictory statements, the book argues that trade growth does not reduce poverty (pp. 139–43). Perhaps this commentator has missed something, but the trouble seems to be that they measure trade growth by the change in the ratio of trade to GDP. This is a

⁵ It would be unfair to criticize the authors for using PPP data that overstated the rise in Chinese incomes, but research has shown this to be the case.

measure of economic openness, not trade growth. If trade raised economic growth and employment, the ratio of trade growth to GDP could stay the same.

Perhaps most upsetting in this chapter is the paucity of the one and a half page conclusion, 'policies for poverty reduction'. Not only is there no mention of universal cash transfers or social security, but there is a populist trend of pinning almost everything on investment in the 'non-formal segment'. One wonders if all those ILO colleagues thanked for their contributions agreed with the book's claims that employment conditions could not be improved in the non-formal segment without output growth in it.

GLOBALIZATION AND LABOUR MIGRATION

Underlying the ILO book is a particular interpretation of 'globalization'. One can question the facts, but a more serious problem is that the terminology and way of presenting the issues suggests a system of essentially closed national economies, one in which Keynesian policies could be applied. However, the essence of globalization is an integration of national economies, such that many policy and structural changes are induced by fear and a desire to prevent further economic changes. The book neglects this set of considerations.

This comes out in several ways. Three will be given by way of example. First, in considering capital flows, the study ignores the much larger potential flow; it has been the latter which has induced policy changes everywhere, leading, for instance, to cuts in corporate tax, social protection and labour protection, all justified on the grounds that if not done, capital will go elsewhere. This has affected the nature of employment, as well as inequality. It has intensified labour casualization and informalization globally (Standing, 2009).

A second aspect is the treatment of migration. The ILO team claims that it is 'not a core element of globalization' (p. 38), there is a 'total lack of liberalization of international migration' (p. 45) and restrictions are stronger than before. The facts adduced to support these contentions are that 'the stock of migrant population as a percentage of world population has changed little' (p. 45) and migrants to developed countries from developing countries only account for a small share of the latter's population. This ignores issues that are so well-known that one wonders about the motive for ignoring them.

Migration has increased considerably. Even the authors' data indicate that the global 'stock' of migrants more than doubled between 1975 and 2005 (p. 46), while migrants' share of the population of developed countries also more than doubled, scarcely supporting the assertion that there has been a 'stability' of migration. Indeed, the data understate the growth; secondary information points to a boom in 'illegal' or 'undocumented' migration. They also ignore the substantial rise in migration between developing countries and in labour circulation (epitomized by the 'blue card' system). Many developing countries, such as South Africa, simply do not know how many foreigners are living in their countries.

This leads back to the book's depiction of capital flows. Remittances became an integral part of globalization, affecting incomes, investment and livelihoods in developing countries. Unless one can show that they are insignificant, one cannot legitimately claim that net private capital inflows

are insignificant (p. 41). In the period covered, remittances actually dwarfed foreign aid, and in some developing countries accounted for a third of GDP.

The book says there is a lack of information on remittances and claims that there is no evidence that they have any effect on investment and growth (p. 51). Actually, there is a substantial literature, which is ignored in the assertions that ‘low-skilled migrants are much more likely to send remittances than high-skilled migrants’, that ‘remittances can be expected to reduce poverty rather than increase inequality’ and that ‘the higher the incidence of outward migration of skilled workers, the smaller is the flow of remittances’. This is strange reasoning.⁶ It is mostly the high-skilled migrants who earn enough to be able to send remittances, and often do so to strengthen their position back home, increasing investment and boosting livelihoods.

In spite of overlooking studies showing this, the ILO team go on to claim that private capital inflow ‘has done little to increase investment per worker in developing countries’ (p. 44). Again, one cannot adduce this from the data they cite. Over just one decade, the investment share of GDP rose by 5 per cent in the least developed countries and by 1.4 per cent in medium-income developing countries. Those figures are substantial. There may be grounds for claiming that FDI was not as beneficial as it could have been—but those data do not show it.

Finally, it is not clear that all ‘government consumption’ should be regarded as non-investment. This comes back later when the authors refer to healthcare and education expenditure as non-investment. If an African government spends more on health and schooling, that should be seen as investing in the productive capacity of the economy, and even stimulating employment.

THE UNEMPLOYMENT ‘STORY’

The ILO book depicts unemployment in developing countries in an old way, claiming that only those from well-off families can afford to be unemployed (p. 59). This can degenerate into a tautology, so that if a poor person has no job, then begging or unwanted car washing become ‘employment’. This is silly. Many poor people are unemployed.

Most critically for assessing global unemployment, the Chinese unemployment rate the ILO uses is unreliably low — 2.5 per cent — seemingly those registered for unemployment benefits. Millions of rural–urban migrants, many with no entitlement to benefits, comprise most of the secondary labour force, and are rarely counted as unemployed when they lose jobs. It is also known that millions of workers are put on long ‘lay-offs’ and not counted as unemployed. In general, labour statistics have been described as the least reliable of the Chinese economic statistics. If China’s unemployed are chronically undercounted, you cannot have ‘precise’ figures for the global labour force or for unemployment. It is also strange that while the book offers a figure for Chinese unemployment, it does not have data on women’s unemployment there.

⁶ The regression in Box 3.3 should be ignored. The authors first exclude countries that might refute their hypothesis, and use an independent variable that does not measure the share of ‘high-skilled’ in the migrant group but rather ‘adult high-skilled migrants as percentage of adult high-skilled population’. Even then, the coefficient is statistically insignificant. In spite of this, they conclude that the result supports their reasoning.

The authors also highlight South African unemployment (p. 80), ignoring ILO research showing numerous reasons for being sceptical about its remarkably high rate, including the undercounting of women's work. Their claim that unemployment is mainly 'transient' does not accord with the view that it is extremely high or with the view that it is lower than claimed.⁷ However, the dichotomy of 'transient' and 'chronic' unemployment is misleading, since chronic seems to mean that the person was unemployed as a main activity (p. 78). This is a bizarre definition, ignoring all standard measures. A better approach would have taken account of duration of unemployment, but all the definitions on p. 78 are ambiguous.⁸

When turning to 'developed countries', the authors retreat to a much refuted story. They begin by claiming that there was near full employment prior to 1973 (p. 156). This reflects their attitude to women's work. For the record, a reason why there was low open unemployment was that women were treated as a labour reserve, having a low participation rate and tending not to be counted in the unemployment figures, being expected to withdraw from the labour force if they lost jobs. Other factors included the fact that most countries focused on *registered* unemployment, and in some, notably the USA, many workers were put on lay-off in cyclical downturns. It is about time this claim was abandoned. The 'full employment' was a convenient fiction.

The authors also fail to mention the contextual change. The industrial model that prevailed until the 1970s not only tended to rely on male fulltime employment but on a closed economy model, whereby Keynesian monetary and fiscal policy could promote high levels of demand without that leading to huge trade and investment deficits. Once globalization developed, in the form of liberalized markets, the assumptions of welfare state capitalism crumbled. The authors fail to consider any of this.

They say there has been a growth of 'non-standard employment', before creating a 'composite employment indicator' (p. 160), neglecting studies that had taken a more detailed approach (such as ILO, 2004: Ch. 5).⁹ Their index is revealing, since they define it as reaching an 'ideal' when there is a participation rate of 100 per cent—no unemployment and no part-time employment. Only in slave societies and in the Soviet system has there been 'no unemployment'. Having some is sensible, since people should be enabled to look around for the economic activity they would like. Frictional unemployment is needed. Similarly, many people want only part-time employment. And there is no reason for all students or the disabled to be in full-time jobs, or

⁷ The authors claim (p. 122) that the unemployment rate of women in South Africa is nine times higher than in Zimbabwe, which seems unlikely.

⁸ One notes that the ILO's director of statistics is thanked. One cannot imagine him agreeing with these definitions. For instance, it is unclear whether 'seeking' work was a necessary condition for being included as unemployed.

⁹ In that and in earlier papers, in calculating a 'labour slack' rate, employment was subdivided into voluntary and involuntary part-time employment, and the unemployed by whether they were seeking full-time or part-time jobs. If you adjust the employment total, it is essential to adjust the unemployment total in the same way. It also took account of those with jobs but without actual income-earning work. Although the authors of this book claim there are none before 1995 (p. 174), in fact EUROSTAT data on temporary employment go back at least to 1983.

even part-time.¹⁰ Having everybody in full-time employment is surely not an ‘ideal’. It is making a fetish of employment.

The authors also misunderstand their data. They claim, for instance, that there are no statistics on temporary full-time employment. Anybody mining the extensive EUROSTAT database could show this is untrue. One could mention other instances, but this highlights the sloppiness of the exercise, which should not be found in an ILO publication. There are many reasons for regarding their proposed index as misleading and inferior to other methods, some going back decades. Their gender disparity story is a gesture, covering women’s unemployment in all developed countries in just one page. Then they tell a skills story of unemployment, repeating the bourgeois prejudice of equating schooling with skill. The carpenter, mechanic and other craftsmen and technicians are implicitly unskilled. It is notable that, while in other respects the authors warn about lack of appropriate data, they do not do so here. They should be reminded that no country in the world has a satisfactory measure of its stock of ‘skills’.

The authors interpret the fact that people with little schooling have higher unemployment as showing ‘a shortfall in the demand for low-skilled labour’ (p. 168). This is simplistic, since schooling is often used as a screening device. Their interpretation implies a wish to see more demand for low skilled labour. Another interpretation is that you could stimulate more jobs for PhD holders currently driving taxis, freeing up driving seats for the ‘unskilled’. But the perspective is just too simplistic.

A similar concern applies to the book’s negative view of temporary employment. The dichotomy of temporary and permanent is breaking down; many people want short-term contracts, while others combine part-time and temporary work in flexible ways, issues not mentioned by the authors. One can argue that casual, informal or ‘temporary’ work may be positive (Standing, 2008a). Often it is not, but temporary should not be equated with bad.

After 171 pages comes the first and only mention of wage differentials. The authors say there are data only for earnings of ‘full-time permanent workers’ (p. 172). This is a book published by the ILO! That aside, the figures cited merely show that for a few countries the top 10 per cent of those in full-time employment were earning more than the bottom 10 per cent. Contrary to the authors’ claim (p. 173), this tells us nothing about skill differentials. Then in their ‘overview’, they reiterate their claim that what has happened is ‘a rapid shift in labour demand away from the low skilled to the high skilled’ (p. 184). Nowhere do they give data to show this. If there has been such a shift, one would expect the relative prices to have changed, but they have not.

The authors reveal a lack of research by saying: ‘A basic problem with the entire literature is its exclusive concern with explaining the behaviour of the overall unemployment rate across countries and over time...The problem is not just persistence of high unemployment but also growing incidence of non-standard employment’ (p. 186). They then claim, without citing evidence, that there has been a ‘rising skill intensity of employment’, implied by rising labour

¹⁰ Incidentally, a feature of developed countries is the rise in the number of people with disabilities on the fringe of the labour market. This has been partly policy-induced and partly reflects ageing. EUROSTAT data indicate that in some countries, as of 2008, more were living on incapacity benefits than on ‘unemployment benefits’.

productivity (p. 189). However, output can increase while employment is cut without average skill changing one way or the other. They then assert there has been ‘skill-biased technological change’ that has ‘adverse effects on employment of low-skilled labour’. Although this may be tautological, they do not show that skill intensity of employment has increased. Are the new service jobs on average more or less ‘skilled’ than the old manufacturing jobs?

Those claiming that growing income inequality reflects a shift in labour demand ignore research showing that labour market inequality has not grown much, and that the differential between median earnings (roughly what skilled workers receive) and the lowest decile (roughly what those in unskilled jobs receive) has not changed much, at least not in the USA (Dew-Becker and Gordon, 2005; ILO, 2004). The main change has been between the top 10 per cent of the distribution and those below it, reflecting a growth of winner-takes-all markets and a shift in the functional distribution of income.

In making their assertions on inequality, the authors throw in a footnote (p. 189) that should have been central to the book. It dismisses as ‘wildly exaggerated’ the view that the integration of China, India and Eastern Europe into the global economy doubled labour supply, on the grounds that ‘only a small proportion of the labour force is in the formal segment’. This stems from the dualism discussed above, and from ignoring basic labour economics. Competitive pressure comes from labour supply; it induces concession bargaining by workers and also policy adaptation to limit the shift of jobs. It is not the extent of offshoring that matters, but the potential offshoring.

Much of the labour offshored is informal in character; so-called formal enterprises have been informalizing, through sub-contracting, casualization and triangulation (Standing, 2009; UN Report under review). The global expansion of labour supply has leveraged the growth of functional income inequality, a topic the book ignores.

Finally, the authors discuss policies, with remarkable brevity. They claim that there has been no substantive change to employment protection legislation relating to regular employment (p. 191). Other studies (including ILO, 2004: Ch. 5) have shown otherwise. It is strange the team did not refer to them. They also fail to note the drift of labour market policy for dealing with the unemployed, towards workfare and compulsion. They claim that ‘changes in the “generosity” of unemployment benefits have been rare’ (p. 192). This is incorrect. One problem with their data here is that the ‘replacement rate’ refers to the percentage of past income received on average: if more of the unemployed are low-paid (a feature of labour market flexibility), then even if benefit ‘generosity’ falls the replacement rate may not fall. There are other problems, including the need to differentiate between gross and net replacement rates; nowadays, benefits are usually taxed. And often the wage rate used to calculate the benefit has been cut. The book’s numbers on recipients are also dubious; it claims 50 per cent of American unemployed received benefits in 1994 and 2001 (p. 194). In reality, according to data from the US Department of Labor, the figure has usually been about a third, since many groups are blocked from receiving them and many others do not claim.

The authors end the chapter by recommending ‘wage subsidies’, failing to consider any of the drawbacks of such schemes. This is important, since one of the worst features of globalization

and labour markets has been the growth of subsidies of all sorts, which have fostered inefficiency and been regressive. They are not the solution but are part of the problem. Since the book was written, the world has been drifting further into *subsidy protectionism*. This is likely to have severe consequences, especially for low-income developing countries.

THE SHADOW ECONOMY AND EASTERN EUROPE

The ILO book has chapters on employment problems in Eastern Europe and the CIS countries. What comes across is a lack of familiarity with the region. A consequence of reports relying on official statistics is that work done in the shadows of legality is ignored or relegated to coy footnotes. The authors express surprise that the labour force in the region ‘actually declined’ (p. 25) in the 1990s. In fact, research indicates that this partly reflected a rise in mortality and morbidity, as well as a mushrooming of the shadow economy, where labour was performed ‘off-the-books’. Reasons for the latter were the huge tax-and-contribution wedge (often over 50 per cent of the wage) and the weak regulatory system. To imagine that the unemployment rate was a good indicator of overall employment (p. 216) is somewhat naive.

This reflects a more general concern. Deindustrialization is a global phenomenon, and the scope for shadow labour is greater in a tertiary economy. The ILO team believe that in Eastern Europe and in CIS countries service output grew but not service labour, and that non-standard employment did not grow (p. 229) and is not widespread (p. 249). There are many reasons for thinking otherwise. Among them, undocumented migrants make for undocumented workers, and many services are provided off-the-books. These are not marginal phenomena and should not be neglected in a global treatment of employment. When the ILO claims that growth was ‘jobless’ in the region in the 1990s (p. 232), and that droves of workers withdrew from the labour market (p. 233), the reader should wonder if they have missed something. They should have questioned their statistics, and wondered why impoverished people were telling officials they were not in the labour market.

The ILO team argue that there is no difference between the policies and institutions of Eastern Europe and those of Western Europe. In the period they were discussing, this was far from true. Some of the schemes may have looked impressive on the books, but scarcely operated. It is a shame that the authors did not consult the many studies done for the ILO that showed why they were not working.

CONCLUDING REMARKS

The ILO book under review can be seen in the general context of the ILO being stuck in a paradigm of ‘labourism’ (Standing, 2008b). Putting as many people as possible into decent labour is not demonstrably a development goal. Some of the most valuable and rewarding work activities lie outside jobs. Some of the most onerous and stressful forms of work occur outside jobs, and policy should surely treat them with just as much attention.

Books that paint the world of work simply in terms of labour as measured by labour force participation rates are inherently biased. This is not being utopian, or claiming that jobs do not matter. It is simply suggesting that the real challenge is to find ways of providing universal basic economic security in which more and more people everywhere can combine forms of work and labour flexibly as they build up their ‘capabilities’ and sense of development. One of the

illusions being peddled at present is that jobs should be and are the primary source of people's 'happiness'. This surely puts too much significance to what most people in most societies do in jobs. The ILO perspective implicitly, and often explicitly, downgrades other forms of work in extolling the desirability of job maximization.

It also overlooks one cardinal feature of globalization, which is that the functional distribution of income globally is tending to increase the returns to capital and to reduce them to labour. Inequality has risen sharply. This trend may be slowed in the immediate aftermath of the financial crisis, but with a global labour surplus prepared and resigned to labour for a tiny fraction of wages in rich industrialized countries, average real wages are most likely to stagnate or decline. If this scenario is roughly correct, then searching for new ways of redressing income inequality and economic insecurity will become the major challenge. That will surely take place outside the labour market. In the process, policy makers and analysts should recognize that the many forms of work that are not labour should be adequately compensated and legitimized. Work is more than employment, and it is time the ILO and others did more than pay lip service to that obvious fact.

Those issues aside, what should strike a reader of the two books under review, ostensibly on the same subject, are the differences in what is included and excluded. Ironically, there is more on 'decent work' issues in the UN book. There is also more on child labour, youth employment and women's work. The ILO book restricts mention of child labour (along with bonded labour) to a footnote on p. 265. It is hard to think of any justification for that. There is also more in the UN book on inequality, and there is attention given to disabilities and the need to integrate social protection and labour market policies; their exclusion from the ILO book is mystifying.

The ILO book relies almost exclusively on conventional labour force statistics, whereas the UN gives them much less attention. The official data must be handled with diligence, for they can easily mislead. A chance was missed to push international organizations to move beyond old statistical concepts. That is something to regret.

There is another aspect that deserves reflection. Academics need to consider the process by which international reports are compiled. People are entitled to take them seriously and the media are inclined to regard them as embodying the most up-to-date knowledge available. Disclaimers placed at the outset are not good enough. It is the process that should be reconsidered. For in such reports, it is not 'truth' that emerges but the outcome of a process in which qualified and unqualified people play varying roles, in which bureaucratic interests shape the message and political whims colour the outcome. There is nothing surprising in that. However, the result should be worrying.

Take the ILO book. One senses that there must have been tension, in that the ILO's populist euphemism, 'decent work', is excluded, implying that the authors did not feel comfortable with it. Fair enough. But should the issues not be confronted in a book published by the ILO at the cost of over a million dollars? And should the authors of such a book not be required to show they have taken account of work by their own colleagues? The authors thank almost all the ILO's senior economists, implying that their views were taken into account. This should worry those governing the ILO, not just over its non-treatment of 'decent work' but also over its use of labour

statistics and the analysis. Perhaps it is unwise to pry further. What is needed is a more transparent process, in which public knowledge of the process can be increased. The world's organizations should institute a mechanism by which proper professional involvement and scrutiny is systemic, so as to prevent any impression, actual or fallacious, that prestigious reports are prey to internal favouritism and bureaucratic factionalism.

One issue omitted from both these reports is the environment. Insistence on the need to take the ecological imperative into account in designing labour policies was in the draft UN report, but was dropped. One predicts that this woeful omission will never happen again in any international report. In the draft, it was argued that any labour market policy should be evaluated by its impact on the environment, and not be supported if it did ecological damage. This was dropped, apparently, for fear of offending interests that claim environmental standards are a protectionist device put forward by the rich countries to hold back developing countries from maximizing economic growth. While the exclusion seems inexcusable, the ILO study does not consider the issue at all; no mention of the environment is made. All the authors seem to be concerned with maximizing jobs. In the twenty-first century, no policy that ignores the potential impact on ecology should be regarded as acceptable.

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