Chapter 4
New Labor Dynamics of Global Public Finance System

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ABSTRACT
This chapter examines the effects of structural adjustment programs designed under the supervision of IMF and World Bank on labor markets. These leading financial institutions are part of global financial system and they finance countries. In return, the countries satisfy the requirements imposed by IMF and World Bank. The requirements imposed by IMF and World Bank includes devastating measures for labor market, including privatization, deregulation of labor market, and flexibilization. There is convincing evidence that structural adjustment programs slowdown economic growth so hurts employment. Besides, the labor markets started to be constituted by unsafe work places without rules as a result of deregulations and flexibilizations. Most of the workers lost social security and workplace security. Feminization, child labor, increasing work incidents are the main severe results of the policies designed under pressure of IMF and World Bank on labor market.

INTRODUCTION
The leading global financial institutions, International Monetary Fund and World Bank, have so much power on the public finance system on the countries. The effect of the institutions has increased since 1980s with the new globalization era. The effects of these institutions came into process via structural adjustment programs designed by these institutions. IMF and World Bank lend to countries having economic difficulties. IMF and World Bank lending includes a conditionality. This conditionality imposes some specific measures and budget cuts to countries in return of the IMF or World Bank loans opened for them. Countries borrow from IMF and pay back not only with the amount they borrowed. They also implement the specific measures in agenda given by IMF. This process and its details have made capital gains more than labor. In other words, labor is the loser of this process.

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The labor is marginalized ideologically in this process. The labor has been started to be analyzed as the total of individuals whose function is only to carry out their tasks in their workplaces (Ulucan, 2017). This means that the term labor has been isolated and separated from its human characteristic. Besides, labor has been announced as harmful for the other pieces of the economic system. The benefits of the labor have been implied as harmful for the interests of society in the literature and in the media. This belief manipulated the public as if the satisfaction of the needs of labor can harm the economic growth and development. The terms such as minimum wage, labor union, and social security have been regarded as negative factors for economy. Minimum wages and unions have been announced as the main causes of low level of investment. Low growth rates are declared to be the results of non-flexible labor markets. Unemployment has only been evaluated by reading numbers and rates, losing humanitarian perspective on the issue (see Stiglitz, 2002.)

On the other hand, flexibilization of labor, de-unionization, and deregulations of the labor market have been used as tools to marginalize the labor in the economies. The main results of this new trend are reduced security of the labor, increase in informal employment, feminization, the use of child labor, increasing work accidents. The new trend open ways for exploiting the labor. Deregulation process has abolished the rules and legislations on relations between employers and workers. The flexibilization has made the market so flexible that even child labor is easily employed with ignorable wages.

IMF and World Bank services policies serves to abolish the obstacles against the process summarized above. They accelerated this process by forcing their structural adjustment programs including harmful measures for workers. The countries passed these reforms without operating democratic process. The consequences of these policies are deindustrialization, unemployment, feminization, child labor, increasing number of work accidents.

STRUCTURAL ADJUSTMENT PROGRAMS AND LABOR

The Effect of Structural Adjustment Programs on Growth and Employment

There are direct and indirect effects of structural adjustment programs on labor. Structural adjustment programs influence macroeconomic variables and so employment. This effect can be regarded as indirect because it works via the channel of main macroeconomic variables. The growth rates is one of the most important variables related with employment.

There is convincing evidence that IMF programs hurt economic growth and labor. Vreeland (2000) present one of the studies indicating a negative relationship between growth rates and structural adjustment programs. According to this study, the slowdown of economic growth is accompanied by reduction of labor share in manufacturing industry in the countries under IMF program. This fact also explains why IMF programs are chosen by countries at the expense of reduction of economic growth. Capital gains more than labor under these policies. This means that poorer groups loses but richer groups are getting richer under such policies.

The methodology of Vreeland (2000) corrects the selection problem by using Heckman’s selection correction approach for the data set of countries. The selection problem occurs because the countries choosing to enter into an IMF program are different from those that didn’t apply an IMF program. An estimation ignoring these differences provides biased results. Vreeland’s correct this problem and finds
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