Globalisation and Labour

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"Globalisation" has become one of the buzzwords since the 1990s. Governments, businesses, unions and community activists talk about it, but often attach very different meanings to the term. It is therefore essential to first define the term and to identify the forces that shape the process of globalisation. Analytical clarity is also crucial to explain the impact of globalisation on workers and to develop possible alternatives.

Many governments, global financial institutions like the World Bank and the IMF, the increasingly powerful Transnational Corporations (TNCs) claim that globalisation will ultimately improve the lives of people all over the world. They argue that globalisation is the best thing that could happen to a developing country and that opening up trade and markets (as part of globalisation) will lead to prosperity everywhere. The proponents of globalisation promise a better tomorrow and harmony between the people of the world who will all benefit from greater economic efficiency and increased wealth in the long run. These assumptions are, however, contradicted by the experiences of the majority of the people in the "Third World", especially in Africa. African workers, especially women have borne the brunt of the failed policies that are part of the globalisation process.

Before going into details, I would like to touch on some of the forces underlying the current globalisation process.

What is meant by "globalisation"?

A multiplicity of linkages and inter-connections between states and societies have emerged as the result of changes that occurred over the last 20 - 30 years. These changes were largely a response to the global economic crisis of the early 1970s. The "New World Order" of today is characterised by fast movements of capital across borders, by the establishment of a global set of economic rules and by the emergence of powerful TNCs. "Competition" and "international competitiveness" have now become permanent features of the overall neo-liberal ideology of a global capitalist system, which is now dominated largely by the interests of TNCs. For industrialists and bankers, competitiveness has become the short-term goal as a way of achieving profits in the long run. Governments want to make their countries competitive in order to attract companies to their territories and to keep them there, hoping that this will solve the burning problems of unemployment and poverty. As a result, countries compete with each other by offering increasing concessions to TNCs. This is evident, for example in the creation of Export Processing Zones (EPZs) where increasing concessions are offered to foreign investors.

The new global economy looks like a battlefield between economic giants in the form of TNCs from the USA, Western Europe, Japan and – more recently – the 'Asian Tigers'. These TNCs are the driving force behind a world-wide system of competitive capitalism which increasingly creates conditions that allow TNCs to escape the rules and controls of national states. As individual countries feel increasingly powerless to regulate investments from TNCs, they try to make themselves "competitive" to attract investors, often at the price of reducing wages and benefits for workers and by deregulating environmental protection. This, however is only one aspect of globalisation and there are other components of this process:

- **Globalisation of finances and capital ownership**: Financial markets are deregulated; international financial capital is mobile and can move between countries in seconds; economic power is concentrated in the hands of fewer but ever larger TNCs who merge with other companies or build up a network of dependent companies to which parts of the production process can be "outsourced".

- **Globalisation of markets and strategies**: Business activities are spreading around the globe, a single global market is emerging as protective tariffs are disappearing which allows the huge TNCs to take over markets everywhere under the ideology of 'free trade'. TNCs are establishing integrated operations abroad or form strategic alliances with other companies.

- **Globalisation of technology and production methods**: TNC establish global networks within their empire and move towards 'lean production' (Toyotism). Production is shifted away from Fordist-type methods (large factories located in one place, producing consumer goods for a mostly local population) to 'post-fordist' production (piecemeal work taking place in the cheapest area for export).

- **Globalisation of culture**: A global culture ('Coca-Cola-Culture') emerges, e.g. consumption of 'global food' like Hamburgers and Coca Cola everywhere. News are dominated a few global news networks which broadcast all over the world; 80% of all TV news comes from 3 major world image banks (Group of Lisbon: 12). 'Western' values are also spread through American films and American music and this process has been described as 'cultural imperialism'.

- **Globalisation of governance**: As TNCs operate across the globe, national governments have less power to control them. Democratic rules and decisions are difficult to enforce due to weak bargaining positions of national governments. In the absence of a global government to set the rules, TNCs have become powerful organisations which try to control the global economy while nation-states compete with each other for foreign investments which they regard as the panacea for their development problems.

Economic globalisation

In this paper, I will focus on the effects of economic globalisation. Production processes and trade have changed significantly over the past 20 years. Some production processes were shifted from industrialised countries to low wage economies on the periphery of the world's capitalist system, especially in Asia and Latin America. Trade expanded massively, affecting the national markets all over the world. Due to the unfavourable terms of trade for the poorer countries of the South, this increase in trade widened the gap between the richer and poorer countries. According to the Financial Mail:

> *"At the start of the 19th century the ratio of real incomes between the world's richest and poorest countries was three to one. By 1990 it was 10 to one. By 2000 it had risen to 60 to one".*

Today, this ratio is estimated to be around 80 to 1 with Africa being worst hit by increasing poverty. The Canadian economics professor Michael Chossudovsky pointed out that:

> *"The New World Order feeds on human poverty and the destruction of the natural environment. It generates social apartheid, encourages racism and ethnic strife, undermines the rights of women and often precipitates countries into destructive confrontations between nationalities."(2003)*

How then does this "New World Order" look like and whose interests does it serve?

It is important to note that the globalisation of poverty occurs during a period of rapid technological and scientific advances. The global decline of living standards is **not** the result of a lack of productive resources. However, as Transnational Corporations (TNCs) spread their production processes over the globe, better-paid workers in the North were pit against vulnerable workers in the South. TNCs cut production costs through downsizing, restructuring and the relocation of production to cheap labour locations. This reduced the earnings of workers in the industrialised countries and increased unemployment there without a corresponding increase of employment and standards of living in developing countries. This is exemplified by the relocation of US and Canadian companies to Mexico's "maquiladoras", which are Export Processing Zones (EPZs) along the US-Mexican border. Wages in the maquiladoras are about 10% of those paid in the US and half of those in the rest of Mexico. However, high-skill jobs and technology have essentially remained in the industrialised countries.

Unemployment now affects nearly a third of the global workforce and the abundant supply of cheap labour in the "Third World" and Eastern Europe contributes to depressing wages even in industrialised countries. Real wages in the low-wage countries are as much as 70 times lower than those paid in the US, Western Europe and Japan. Global corporations use this scenario to minimise labour costs and to achieve high levels of "corporate efficiency" through plant closures, mergers and acquisitions, market control and downsizing. The underlying rule is "survival of the fittest" as the enterprises with the most advanced technologies or those with command over the lowest wages will survive in a world economy marked by overproduction.

At the macro-economic level, such measures have the opposite effect: they lead to mass unemployment and poverty, bankruptcy of local SMEs and unutilised industrial capacity. Thus, despite the rapid technological advances, there is a stagnation in the production and supply of essential goods and services, simply because the impoverished majority of the world's population cannot absorb (buy) the production output. The ultimate contradiction of the global capitalist system is that "the very process of expanding output (through downsizing, lay-offs and low wages) contributes to compressing society's capacity to consume" (Chossudovsky 2003).

Despite the global economic stagnation, the world's largest corporations have experienced unprecedented growth and expansion of their share in the global market at the expense of local, regional and national producers. The "free market" reforms as promoted by the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO) opened up new markets and production sites for TNCs and ensured profitability through low wages and deregulated labour markets. Likewise, the G7 macro-economic policies paved the way for corporate mergers and acquisitions as well as the accompanying large-scale bankruptcy of small and medium-sized enterprises. Countries who refused to "open-up" their economies were confronted with a combined onslaught from the IMF-World Bank-WTO who use the lever of loan conditionalities and aid (sometimes even military threats in co-operation with NATO) to deal with "trouble-spots".

Although global trade and global activities of capital are nothing new, the pace of capital movement as well as the form and concentration of capital have changed. The liberalisation of capital movements is one of the features of global capitalism and TNCs are now shedding much of their traditional in-house functions and replace them by outsourcing. They are building networks of dependant small and medium-sized enterprises and are supplying global markets. For example, the sports shoe company Nike employs only 9000 core workers, but there are 75 000 workers in the chain of sub-contractors which supply Nike. Some TNCs have gone as far as selling their name only while they leave manufacturing to others. Examples are Kodac, Olivetti, Siemens and General Motors. TNCs control about 70% of all world trade and over a quarter of the world's economic activity takes place within the 200 largest corporations.

TNCs took control over local markets through a system of corporate franchising. This ensured that a large share of the earnings accrued to TNCs while the bulk of the investment outlays had to be shouldered by the "independent producer" in the low-wage countries. Global corporations essentially service a limited consumer market of about 15% of the world's population plus a small elite the "Third World" and Eastern Europe. This group engages in "high income consumption" of imported consumer goods and services such as travel and leisure, automobiles, electronics and telecommunications. On the other hand, production for mass consumption to satisfy basic human needs of the majority declined due to rising levels of poverty. The collapse of mass-based consumer markets in turn led to more plant closures and bankruptcies.

The New World Order" thus creates a vicious cycle: The relocation of industries to cheap-labour location leads to economic dislocation and rising unemployment in industrialised countries. As a result, spending power there and markets for developing countries decline which leads to intensified competition and reduced production as well as economic stagnation in the "Third World".

Globalisation of investment?

Globalisation does not affect all countries in the same way and its consequences are often differentiated. Over 90% of the largest TNCs have their headquarters in the industrialised countries and during the 1990s most of the high-value added, high-tech manufactured goods were produced and consumed in the three powerful economic blocks: USA, Western Europe and Japan. Over 85% of inter-firm co-operative agreements are signed between companies of these blocks and most foreign direct investment (about 80%) is originating from and going to these countries. Throughout the 1980s there was a trend of growing exports and imports in the industrialised world, while the share of developing countries was falling to below 30%. Management, research and technology also remained in the industrial centres and only certain production processes wee located in developing countries. Capital flows to the least developed countries - which include Africa - have been declining from 55% of the total in 1980 to 2% in 1990. Today, the whole continent of Africa accounts for less than half a percent of global investments. Capital flows to Africa are now more humanitarian than economic. In addition, about half of Africa's overseas development assistance immediately returns to the donor countries as repayment for debt servicing and several African states have become net exporters of capital.

In recent years, the global economic system produced a kind of "rentier economy" in the industrialised countries. This economy does no longer produce actual goods but is centred in the services sector. It is a "high-technology economy based on the ownership of industrial know-how, product design, research and development" (Chossudovsky 2003). This economy dominates over the "material production" and accounts for the bulk of the income from value addition. Royalties and licensing fees for the use of technology, brand names, product designs and value addition by distributors, wholesalers and retailers account for much more than what the actual producers receive. Material production takes place in a low-wage country but the largest amounts for value addition are recorded in the importing industrialised country. The following examples illustrate this point:

- The retail price for coffee is 7-10 times higher than the import price and about 20 times the price paid to the coffee farmer.
- Designer shirts produced in South East Asia are sold in Europe for 5-10 times their import price.
- Less than 2% of the total value of shirts produced in Bangladesh are received by the direct producers as wages. The profit by local companies is equivalent to about 1% of total value.
- About 70% of the total value in the clothing sector consists of firstly profits of distributors, wholesalers and retailers; secondly costs for transport and storage etc; and thirdly customs duties and indirect taxes imposed by the importing (industrialised) country.

Effects of globalisation in Africa

One of the most obvious and perhaps most dramatic effects of globalisation in Africa are the Structural Adjustment Programmes (SAPs) of the World Bank and the International Monetary Fund (IMF). The effects of these policies are visible in virtually all African countries, although the manifestations are different. According to the IMF and World Bank, SAPs were meant to lead to economic growth and improve a country's competitiveness through increased investments. In reality, however, SAPs are built on the fundamental condition that debtor countries have to repay their debt in hard currency. This leads to a policy of 'exports at all costs' because exports are the only way for developing countries to obtain such currencies. A first feature of SAPs is therefore a switch in production from what local people eat, wear or use towards goods that can be sold in the industrialised countries. Since the 1980s dozens of countries have followed these policies simultaneously. They often exported the same primary commodities, competed with each other and then suffered because of declining world market prizes for their commodities. Between 1980 and 1992, for example, developing countries lost 52% of their export income due to deteriorating prizes.

SAPs have 4 fundamental objectives according to which they are shaped:

1. Liberalisation: promoting the free movement of capital; opening of national markets to international competition.
2. Privatisation of public services and companies.
3. De-regulations of labour relations and cutting social safety nets.
4. Improving competitiveness

Based on these objectives, SAPs prescribe nearly always the same measures as a condition for new loans. These are:

- reduction of government deficit through cuts in public spending (cost recovery programmes);
- higher interest rates
- liberalisation of foreign exchange rules and trade (deregulation);
- rationalisation and privatisation of public and parastatal companies;
- deregulation of the economy, for example:
    - liberalisation of foreign investment regulations
    - deregulation of the labour market, e.g. wage 'flexibility'
    - abolishing price controls and food subsidies
- shift from import substitution to export production

These measures forced countries on a path of deregulated free market economies and integration into the global economy. The IMF and World Bank basically determine countries' macro-economic policies, they take control over central bank policies and over public expenditure through the so-called 'Public Expenditure Review'. SAPs promote the principal of cost-recovery for social services and the gradual withdrawal of the state from basic health and educational services. Under its 'Public Investment Programme' the IMF even decides what type of infrastructure should be built while an imposed system of international tender ensures that public-works projects are carried out by international construction and engineering firms.

Although several countries were sceptical about such neo-liberal policies (designed along the ideas of the Reagan and Thatcher administrations) they were forced to abandon socialist or even social democratic ideas. In this way, the debt crisis has provided the IMF and World Bank with a very effective instrument of disciplining 'rebellious' countries. Debtor countries are kept in a 'strait-jacket' which prevents them from implementing their own economic policies (George 1995: 21; Chossudovsky 1995: 57).

Despite the IMF and World Bank claims of SAP successes, it is widely acknowledged that SAPs have failed to achieve their goals. They have not created wealth and economic development as unregulated markets did not benefit the poor and failed to protect the delivery of social services. The IMF/World Bank believe that the elimination of protective tariffs will make domestic industries more competitive. In reality, domestic manufacturing often collapsed and imported consumer goods replaced domestic production. Other results of SAPs were:

- Privatisation allowed international capital to buy state enterprises at very low costs.
- Tax reforms under SAPs (like the introduction of VAT) placed a greater tax burden on middle and low-income groups while foreign capital received generous tax holidays.
- Deregulation of the banking system led to very high interest rates which made most goods unaffordable to the majority.
- Elimination of subsidies and prize controls, covered with devaluation led to price increases and reduced real earnings in the formal and informal sectors.
- Free movement of foreign exchange allowed foreign companies to repatriate their profits. It also allowed the "laundering" of 'dirty money' from offshore banking accounts.
- Cost-recovery programmes in the health sector increased the inequality in health care delivery, reduced health coverage and increased the number of people without access to health care. Diseases like cholera, malaria and yellow fever are on the increase again.
- Various NGOs funded by international aid agencies have gradually taken over government functions in the social sector.
- Cuts in public sector employment (for example 300 000 civil servants were retrenched in Zaire - now DRC - in 1995), coupled with bankruptcies of local companies led to large increases in unemployment.
- Liberalisation of the labour market led to the elimination of cost of living adjustment clauses in collective agreements and to the phasing out of minimum wage legislation.
- Export orientation in agriculture eliminated subsistence crops and accelerated the exodus of the unemployed from rural areas towards the cities.

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Overall, SAPs have reversed some of the gains made by developing countries in their attempt to find a development strategy that would suit local conditions. They rolled back some of the achievements made by African states in the post-colonial era. Most countries have returned to their former dependency and subordination to the industrialised world. Chipeta points out that this is no accident as SAPs were not designed to promote genuine economic development:

> *“Each policy is designed to fail so that the implementing country can enter into another programme”.*

In other words, an implementing country becomes permanently locked into SAPs, which are designed by the industrialised blocks to shape developing countries according to corporate interests.

SAPs as a part of the broader process of globalisation have increased the manoeuvring space for TNCs to an unprecedented level. They could utilise the opportunities created through privatisation and the general economic liberalisation. However, it is important to point out that the political and economic elite of developing countries has also played a crucial role in the adjustment process. These elites often used the initial loans for their own benefits. They continued a life in luxury while telling their people to tighten their belts. Even under structural adjustment they were hardly the ones who suffered and sometimes even benefited from SAPs. When public services deteriorate or disappear they could afford private schools and hospitals. They often benefited from privatisation by obtaining functioning enterprises at give-away prices and they benefited from low labour costs as a result of labour flexibility. Samir Amin pointed out that this collusion between the African ruling classes and the global strategies of imperialism were the ultimate cause of Africa’s failures during the past 30 years.

“Casual” workers

One of the key experiences of African workers during the current globalisation process is the increasing polarisation in employment conditions and a growing differentiation in the workforce. As companies opted for increased “flexibility” in their production process as part of their strategy to stay competitive, African workers lost their full-time permanent jobs and became victims of the “casualisation” of labour. They were forced to become part-time workers, seasonal workers, home workers, subcontracted workers or had to struggle for survival in the “informal sector”.

Subcontracting and recruitment of workers through labour brokers (known as “labour hire companies” in some countries) offer employers various advantages: they can avoid a unionised workforce, they save on benefits for workers, they can hire workers in line with the requirements of production and they can dismiss workers without having to go through retrenchment procedures. This increases managerial power, undermines the bargaining power of trade unions and relegates labour to a commodity. The protection enjoyed by permanent workers does not apply to the “casualised worker”.

“Casualisation” of labour tends to take place when there is a large army of unemployed and underemployed people from which labour can be drawn. It tends to affect those workers with low skills level who are regarded as easily replaceable. Highly skilled workers have a better chance to receive permanent employment with benefits as employers are eager to retain their services. The global scenario of mass unemployment and mass poverty is no accident as it enables global corporations to depress wages globally. Technological advances reduced the overall labour requirements of industry and an increasing number of developing countries are pitted in cut-throat competition against each other in desperate attempts to attract manufacturing investments – irrespective of the quality of jobs created.

Conclusion

The results of globalisation led to a growing consensus among labour and community activists in many parts of the world that the search for alternatives to the present form of globalisation is essential. The ongoing protests at meetings of the IMF, World bank and World Trade Organisation (WTO) are indications that the excluded majority of the world's population are beginning to resist a process that threatens to exclude them even further. The debates over the possibilities of influencing and changing the present form of globalisation are ongoing and have intensified in recent years. It will be crucial to intensify the debate in Africa to ensure that our interaction with the global economic actors (like TNCs, the WTO, World Bank and the IMF) is shaped by a clear vision of our own development strategy. Otherwise, Africa will not be able to make the radical structural changes that will be necessary to break the cycle of under-development and poverty. While some economists still argue that globalisation "can be a positive force for the economic growth in Africa if it is properly embraced by our economies" (Gaomab II, 2000), others believe that :

> *" Without a change in World Bank/IMF policy on debt relief, without an end of dogmatic market liberalism as a condition for aid, without a clampdown on predatory outside forces, without protection of all sorts, Africa seems doomed to stay marginalised"* (Leys and Saul 1999).

Several proposals regarding responses to globalisation were made by labour and community activists in various countries. They all represent attempts to create mechanism to control the sweeping powers of the global economic players who control the world's resources. Such initiatives include attempts to safeguard workers' and environmental rights and resistance to continued poverty and exploitation as experienced by the majority of the world's people. Globalisation certainly requires new and innovative responses. Some international trade unions, for example, called for new forms of international workers' organisations to face the challenge of a globalising world. The former secretary general of the international food workers' union IUF, Dan Gallin believes that to bring about change is a question of power and organisation and that the labour movement must think and organise globally. Such a global approach to unionism has to involve the union membership to a far greater extent than usual, for example when bargaining with a TNC. These companies must be organised wherever they operate which means that cross-border collective bargaining must become a top priority for the labour movement .

However, labour must not focus narrowly on bargaining if it wants to fight for a just and equitable distribution of resources. Instead trade unions must build links with community organisations nationally and internationally. This must happen with a clear vision of challenging today's forms of globalisation. The task is huge and must include the democratisation of the global economic system, challenging the concentration of private wealth and ownership, disarming financial markets, redistributing income and wealth, restoring human rights and building socially responsible welfare states.

One of Africa's outstanding progressive academics and activists, Samir Amin has pointed out that the solution to Africa's development problems cannot lie in a further "integration" into the global economy. In fact, he argued that it is this "integration" under highly exploitative conditions that is responsible to a significant extent for today's misery. Those countries that are industrialised today were initially built as auto-centred (inward-looking) economies and they are now integrated into the global economic system in qualitatively different ways. Amin therefore called for the building of auto-centred African economies and the selective participation in the global economy. Such a participation has to be fundamentally different from the current one that relegates Africa to the role of supplier of natural resources and cheap labour.

These are some of the issues that African workers and their unions need to confront. I believe that African trade unions should not waste their energies to become co-managers of the current form of globalisation but rather mobilise against the "New World Order" that was created by the neo-liberal globalisation over the past 30 years. Our task is to turn this type of globalisation on its head and to set our own alternative development agenda that will place social equity and people's interests above those of global corporations and their allies among governments. This will require action at national, regional and international level.

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