

Globalisation and Employment:

New Opportunities or Continued Marginalisation?

Herbert Jauch, Labour Resource and Research Institute (LaRRI)

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“Globalisation” has become one of the buzzwords of 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 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 (see for example the International Herald Tribune, 22.03.1996). Globalisation promises 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 (Ruigrok and van Tulder 1995: 169). These assumptions are often contradicted by empirical evidence and have to be examined critically. In this brief paper I will therefore try to look at the following questions:

1. in this era of globalisation, is the world really uniting - are we becoming a ‘global village’?
2. what does globalisation mean for working people, how does it affect employment and labour standards?
3. will globalisation improve the lives of the majority or just those of the few?

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 (Murray 2000: 7-8). 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 (Petrella 1996: 62). 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 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 (Group of Lisbon 1993: 3-7). 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 and parliaments. 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 feel compelled to offer a ‘competitive’ environment to attract investment.

In this paper, I will confine myself to the issue of economic globalisation and how it impacts on people’s lives and employment. 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” (quoted in Seabrook 2000)

The expansion of trade was facilitated by new communication and transport technologies. 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. Workers in the North felt that their jobs were taken by workers in the South who worked for lower wages. This is exemplified by the relocation of US and Canadian companies to Mexico’s maquiladoras, which are export processing zones (EPZs) along the border of the 2 countries. Wages in the maquiladoras are about half of those in the rest of Mexico and 10% of those in the US (Brecher and Castello1991: 90). However, high skilled jobs and technology have essentially remained in the industrialised countries.

In the era of globalisation capital has increased its mobility to move across countries at a rapid pace. This applies especially to speculative finance capital on the world’s stock markets. Huge amounts of shares are traded, huge speculative profits are made but no jobs are created. National governments find it difficult to control finance capital which is roaming the globe in search of high profits at low risk. Today’s globalised economy is characterised by an unprecedented mobility of transnational capital and the concentration of economic power. 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 (ILRIG 1996: 9).

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 (Group of Lisbon1993: 35) 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 (Trade Monitor 13: 29). 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 (ICFTU 1996: 4). Some TNCs have gone as far as selling their

name only while they leave manufacturing to others. Examples are Kodak, Olivetti, Siemens and General Motors (Gallin 1994: 112).

Why is capital so mobile?

Holloway describes capitalism as a “restless mode of domination”, epitomised in its existence as money. In this form it flows globally chasing maximum profits. Once productive capital (factories, machinery, buildings) becomes less profitable (for example due to market saturation), it will convert into the money form. As accumulated capital can no longer find sufficient profitable outlets in productive investment, it is turned into speculative investment. Such “liquefied” capital is invested in stock markets and can be withdrawn in seconds. To engage in such speculative investment, TNCs need de-regulated financial markets and an end to foreign exchange controls. However, speculative investments make national economies extremely vulnerable as shown by the events in Mexico at the end of 1994. Speculative short-term investment (‘hot money’) was withdrawn in huge amounts within hours and the stock market collapsed. The ICFTU has described the deregulated financial world as a ‘massive global casino’. As obstacles to capital flows are reduced, world-wide communication systems are in place and national states’ power to intervene are reduced, financial markets are about to become their own masters (ICFTU1996 : 4).

Globalisation of investment?

Globalisation does not affect all countries in the same way. McGrew captures this in his description of it as ‘highly uneven in its scope and highly differentiated in its consequences’ (Petrella1996: 66). Over 90% of the largest TNCs have their headquarters in the industrialised countries and according to Ohmae, 85-90% of all high-value added, high-tech manufactured goods are produced and consumed in the three powerful economic blocks: USA, Western Europe and Japan. Most of the rest is accounted for by the East Asian ‘Tigers’. 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 remain in the industrial centres and only certain production processes are located in developing countries (Ruigrok and van Tulder1995: 148-164). Capital flows to the least developed countries - which includes most of Sub-Saharan Africa - have been declining from 55% of the total in 1980 to 2% in 1990 (Group of Lisbon: 38). Today, the whole continent of Africa accounts for less than half a percent of global investments (Gaomab II, 2000).

During the 1990s foreign direct investment (FDI) to developing countries was rising again reaching a record \$ 231 billion in 1995. However, hardly any of this went to the poorest countries and Sub-Saharan Africa’s share dropped to only 2,2 billion. Most FDI went to Asia, especially to China which has become the new haven for investors (ICFTU1996: 5). On the other hand large parts of the world have become totally marginalised and excluded from the global economy. Capital flows to the Least Developed Countries - especially Africa - are now

more humanitarian than economic (Group of Lisbon 1993: 38). In addition, about half of Africa's overseas development assistance immediately returns to the donor countries as repayment for debt servicing (Mandaza 1996: 2).

Implications for working people

The mobility of capital has severe implications for working people everywhere - although they differ between developing and industrialised countries. In general, labour power is "rooted in the fundamental interdependence of capital and labour" (Piven). Workers' power is exercised mainly through the collective threat of withholding labour which is an essential component of the production process. This power was based on capital's limited ability to escape from ongoing economic relationships with labour. In the post-war period (1945 - mid 1970s) national governments were able to set the rules for collective bargaining through national labour laws. While this still applies to locally-based companies, TNCs are now trying to escape the rules of national bargaining. Today's economic globalisation combined with restructuring through new technologies, has created many options for capital's escape, such as relocation of production (or simply threatening to do so) and outsourcing.

As a result, national states whose political leadership entrusts their country's well-being in the hands of foreign investors, are under constant pressure to maintain conditions which will hold capital in their own territory. The secretary General of the IUF, Dan Gallin, pointed out that: "Globalisation has led to a global labour market in which workers of all countries are in direct competition with each other". Unable to see an alternative, countries and workers are underbidding each other in order to become "competitive". This results in a race to the bottom as far as labour standards are concerned. It does not benefit workers anywhere in developing countries and even threatens the achievements of workers in the industrialised world. At best, a small group of workers will gain some jobs for a short period of time - until capital finds more attractive conditions elsewhere (Gallin 1996: 3-4).

Effects of globalisation in Southern Africa

One of the earliest and perhaps most dramatic effects of globalisation are the Economic Structural Adjustment Programmes (ESAPs) of the World Bank and the International Monetary Fund (IMF). The effects of these policies are visible in all countries of Southern Africa, although the manifestations are different. ESAPs were meant to lead to economic growth and improve a country's competitiveness through increased investments. The main elements of these policies are:

- reduction of government deficit through cuts in public spending (cost recovery programmes);
- 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.

Despite the World Bank’s claims of ESAP successes, it is widely acknowledged that all over Africa, ESAPs 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 (Mandaza 1996: 2). Although time and space do not allow me to elaborate on the ESAP policies, it needs to be pointed out that the experiences in Southern Africa and elsewhere make ESAPs a highly questionable economic policy for the countries of our region. ESAPs concentrate on the formal economy only while they ignore the informal and rural sectors. Under mounting pressure and criticism, Social Dimension Funds (SDFs) were introduced in recent years to cushion the blows and hardships of ESAPs. However, they have been ineffective and insufficient to offset the damages caused. Besides the poor economic and social records of ESAPs, the policy has also undermined good governance and democracy in Africa. ESAPs shift sovereign decision-making power away from national governments to the IMF and the World Bank which are not accountable to those who suffer the results of their policies. In fact, in some cases ESAPs have reversed the gains made by African states in the immediate post-colonial era (Goncalves 1996: 6-8). Chipeta points out that this is no accident as ESAPs 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 ESAPs which are designed by the industrialised blocks to shape developing countries according to their needs (Chipeta 1996: 11).

Increasing inequality

Despite the promises of a better life for all in the era of globalisation, the reality is quite different. As Dan Gallin, the Secretary General of the international foodworkers union IUF pointed out: “The new world order has turned into a nightmare for all but a small elite” (Gallin 1994: 107). Growing unemployment, poverty, inequality and increased exploitation are the features of a ‘globalising’ world. This is clearly shown by UN statistics. The 1996 Human Development Report of the United Nations Development Programme (UNDP), for example, pointed out :

- The world’s richest 358 billionaires own as much as the world’s poorest 2,3 billion people - nearly half the world population!
- Since 1980, 15 countries had high economic growth rates but 100 countries stagnated or declined; people in these countries (a third of the world’s population) are poorer today than what they were in 1980;
- Almost all African countries have lower per capita incomes now than they had in 1980;
- The poorest 50 nations account for 20% of the world’s population, but consume only 2% of the world’s income while the richest 20% consume 80%;
- In 1965 the richest 20% of the world’s population earned 30 times the income of the poorest 20%. Today, they earn 60 times as much!

- 1,3 billion people (20% of the world's population) survive on US\$ 1,- per day, another 60% have to live on \$ 2,- per day!
- about 70% of the world's poor are women!

The UNDP report shows that today's world is characterised by ever increasing economic inequalities both within and between states. While globalisation has resulted in an increased polarisation between industrialised and developing countries, it has also exacerbated the income gaps between people in countries of the North and South. In the USA, for example, the richest 1% of Americans own 40% of the country's wealth. In South Africa 13% of the population (whites) control 58,5% of the national income. In Namibia the income distribution is equally skewed and the latest World Bank Development report ranks Namibia as the country with the highest income inequality in the world (Murray 2000:26). Likewise the gap between industrialised and "developing" countries is ever increasing, accompanied by an increase in the number of people who have to live in absolute poverty. This trend of increasing inequalities and poverty is one of the features of the New World Order in this era of globalisation.

The impact on employment

One of the key features of industrial restructuring in the current globalisation process is the increasing polarisation in employment conditions and a growing differentiation in the workforce. One method employed by companies in their attempt to stay competitive through increased flexibility in the production process, is the "casualisation" of labour. This includes part-time workers, seasonal workers, home workers and subcontracted workers (Klerck 1999). Manifestations of this trend are becoming apparent in Namibia, for example in the form of "Labour Hire Companies" which sell workers to companies on short – to medium-term contracts.

Subcontracting and recruitment of workers through labour hire companies 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'.

International experiences have shown that the development of subcontracting has always been a highly uneven process. "Depending on the relative costs of internal and external solutions to staffing problems, some companies may extend their subcontracting activities at precisely the same time as others reduce their reliance on outside sources by reincorporating certain productive functions" ("Klerck 1999). "Casualisation" of labour tends to take place when there is a large army of unemployed and underemployed people (like in Namibia) 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 tend to receive permanent employment with benefits as employers are eager to retain their services. In Namibia, this trend reinforces existing inequalities even further and we are now regarded as the country with the highest levels of inequality in the world. (World Bank 1999, quoted in Murray 2000).

Economists often justify ‘flexibility’ of labour as an economic necessity in the era of globalisation. The “flexible’ or “lean” firm is seen as being best adapted to meet rapid changes in product markets. Staff is divided into a “core” group of multi-skilled permanent employees and a “peripheral” workforce employed on short-term contracts or through subcontracting. Companies tend to distinguish between “core’ and “peripheral” workers in terms of how crucial their skills are for securing long-term profits. While this system offers benefits to companies, it imposes severe hardships on the “peripheral” workers. Their employment conditions are characterised by a lack of job security, low wages, a lack of benefits and the absence of collective bargaining through which they could advance their interests. This is, however, just one of the effects of the present process of globalisation.

Searching for alternatives

The results of globalisation have produced a growing consensus among labour and community activists all over the world that the search for alternatives to the present form of globalisation is essential. The recent protests in Seattle (USA), Davos (Switzerland) and Bangkok (Thailand) 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 will intensify in the months and years to come. It will be crucial to intensify the debate in Namibia and the whole Southern African region to ensure that our interaction with the global economic actors (like TNCs, the WTO, World Bank and the IMF) are shaped by a clear vision of our own development strategy. Otherwise, Namibia (like the continent as a whole) face the danger of continued and worsening marginalisation. While some economists 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 1999:24).

Several more 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. The new world order 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 trade 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. In the words of Gallin: "We can no longer afford the luxury of labour movement institutions relieving symptoms rather than treating the causes of social diseases". He argues that labour must take the lead to build new international coalitions with civic and social action groups. Lower communication and travel costs in a globalising world create possibilities for more cross-border action and information exchange. Gallin believes that there is a basis for the emergence of a new global civil society in which the labour movement can and should play a leading role (Gallin 1994: 131-132)

Time and space do not allow me to go into further details regarding the debate on alternatives to the present form of globalisation. The points raised here merely serve to highlight that the benefits of the present form of globalisation have been limited to a minority of the world's people. As a result, those people most negatively affected – formal and informal sector workers, small-scale farmers, rural people – have begun to organise themselves. Trade unions, community and political organisations have begun to challenge the assumption that globalisation is unavoidable and some - like the Zimbabwe Congress of Trade Unions (ZCTU) and the Congress of South African Trade Unions (COSATU) - have already presented alternative policy proposals. I wish to congratulate the Namibia Economic Society for initiating this debate on globalisation and hope that our discussions here will be the start of more debates on how globalisation can be shaped to the benefit of the majority of our –and the world's – people.

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