

## **GLOBAL LABOR'S UNCERTAIN FUTURE**

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### **ABSTRACT**

This article deals with globalization and its implications for employment and unionization. It presents an overview of the major economic, demographic, and geopolitical forces affecting economic growth, cross-border capital flows, and employment. In particular, it points out that globalization has weakened unionization and collective bargaining, but also adds that democracy and free markets do not preclude workers from taking a more active role in the new market paradigm. It recommends greater cooperation and information flows among unions and workers and stronger adherence to the conventions of the International Labor Organization (ILO). The ILO estimates that one billion new jobs will be needed worldwide by 2015 to absorb new job entrants and reduce unemployment, and this will be an important challenge for global development.

### **GLOBAL LABOR LINKAGES**

The global economy is a dynamic mosaic of 200 plus countries undergoing different levels of economic and social transformation. Uneven economic development has produced problems and opportunities that simultaneously dampen and heighten expectations. The evolving interrelationships of national economies have weakened to varying extents the ability of nation states, and by extension, the influence governments exercise over human capital development, and macroeconomic performance. Transnational corporations play a pivotal role in the global process, but even their power is constrained by other forces. These

organizations, however, can determine or significantly affect the domestic policies of prospective host countries. Falling communication and transportation costs coupled with ceaseless technological change have intensified globalization, buttressed by reasonably accurate information on intercountry specifics. Capital and people travel quickly across borders [1].

A new division of international labor has emerged, which has increased labor bidding on a global scale, and international worker migration has compounded the problem. Capital will flow to countries and regions where cost-reduction technologies are applicable, including a readily available pool of low-cost skilled and brainpower labor, and where access to markets offers promising sales potential [1, p. xxv; 2]. The disaffected unemployed and underemployed in developing countries will migrate considerable distances to areas of perceived opportunity. Whatever their sentiments, workers are tied to a global interdependency that affects employment stability, and this condition will continue in the coming decades. How worker adapt to these challenging circumstances is a critical matter, perhaps one of the most salient issues of the new century.

### **TRANSNATIONAL CORPORATIONS AND JOB CREATION**

Contrary to popular opinion, transnational corporations (TNCs) are not the main source of global employment. It is often thought that these large-sized organizations are the primary engines of employment growth and thus trade-liberalization policies are needed to sustain this growth. Deregulation, tariff elimination or substantial reductions, and removal of nontariff barriers are essential to promote growth, but employment expansion has other sources as well. A significant part of foreign direct investment (FDI) is still concentrated in the hands of a small number of developed countries, and a small number of the 44,000 (parent) global corporations account for a major share of foreign sales. The same global companies control about 280,000 foreign affiliates.

According to the *1997 World Investment Report*, developed-country parent corporations totaled 36,380, with 93,628 foreign affiliates [3, p. 6]. The *1994 World Investment Report* indicated 34,280 parent corporations, with 87,831 foreign affiliates for the same base measurements [1]. Developing countries, including Central and Eastern Europe totaled 3,250 parent firms, with 119,130 foreign affiliates, while China hosted 45,000 affiliates. In terms of net employment, TNCs employ about 3 percent of the world's labor force, but account for 10 percent of paid nonagricultural employment. It is estimated TNCs account for 20 percent of employment in developed countries.

The United States, European Union countries, and Japan are home to 87 percent of the top TNCs and account for 88 percent of their total foreign assets.

Fifty-six percent of the top 50 TNCs' foreign direct investment in developing countries is located in the People's Republic of China (Hong Kong included), Mexico, and the Republic of Korea. Electronics, automotive, chemical, petroleum, and mining make up the main industries.

It is expected that foreign sales will continue to increase as a proportion of total sales, notwithstanding the current global economic slowdown, and that production by foreign affiliates will expand as a proportion of TNCs' total production. Accessing foreign markets via FDI will be the major source of entry. In other words, emphasis will be placed on production for local markets. This creates a production chain connecting interrelated phases of production in several countries. This also transfers manufacturing and technical jobs to lower-labor-cost production countries.

### **GLOBAL HUMAN RESOURCE DEVELOPMENT PROBLEMS**

In a global economy of some 40 trillion dollars, a quarter of the world's population remains in poverty, as measured by the Human Poverty Index, and for certain geographic regions, impoverishment will increase. It is estimated that 1.3 billion people live in poverty, as measured by an income level of less than one dollar a day, and most of these people live in South Asia. In fact, 950 million poor people reside in Asia. Sub-Saharan Africa has the highest population of people living in human poverty, with more than 200 million who are income poor [4, 5].

Other problems compound these dismal income levels. Almost one billion people are illiterate and lack access to safe drinking water. Mortality rates are depressing, since about one-third of the people in developing areas barely reach the age of 40. Income share of the poorest 20 percent of the world's population now stands at 1.1 percent. It stood at 1.4 percent in 1991, and at 2.3 percent in 1960. The ratio of income of the top 20 percent rose from 20-to-1 in 1960 to 78-to-1 in 1994. The magnitude of this disparity did not change in 2003.

According to economist Joseph E. Stiglitz, who was awarded the Nobel Prize in 2001, approximately 2.8 billion people live on less than \$2 a day. This amounts to more than 45 percent of the world's population [6].

Raising literacy skills, providing safe water, and reversing low life expectancies require costly infrastructure investments that are unavailable in hard-pressed developing countries. Because many of the poor reside in agricultural areas, there is very little that can be done in short run to effectuate the needed changes that would facilitate meaningful growth. Agricultural subsidies in developed countries compound the problem by making developing country exports too expensive. This was a major reason for the collapse of the 2003 World Trade Organization (WTO) talks in Cancun, Mexico.

Thirty-five percent of the developing world's population (or about 2.5 billion people) live in dry-land country, where fertility rates are low or nonexistent. Five hundred million poor people reside on the marginal or degraded lands of the Sahel and the upper watersheds of the Himalayas and Andes. By 2020, this number is projected to reach 800 million. Moreover, many of these areas are faced with violent ethnic, religious, class, and identity conflicts that discourage even the most optimistic of private investors.

By any definition, these are virtual no-win situations, at least for a substantial portion of the global population.

Thus, if the transnational borderless world is bringing gains to some of its participants, it is also bringing losses to others. It would take massive efforts to raise the income levels of the world's poor, and sustained levels of productivity growth to maintain or advance the higher incomes of the more-successful developing and developed countries. The International Labor Organization (ILO) estimates that one billion new jobs will be needed worldwide by 2015 to absorb new job entrants, reduce unemployment, and working poverty [7].

### **DECLINING UNIONIZATION RATES**

A concomitant aspect of these changes is the decrease in union density. According to *World Labor Report 1997-1998*, of the approximately 70 countries for which comparable union-density data were available, about 50 percent of them had experienced a decline in union membership over the past decade [8]. These declines occurred in central and Eastern Europe, Portugal, Israel, Kenya, Uganda, New Zealand, France, United Kingdom, Venezuela, Uruguay, and the United States, among others [8]. Increases, however, occurred in South Korea, South Africa, Philippines, Thailand, Bangladesh, Chile, and Spain among others. Overall, the data suggest a mixed picture, but the trend specifically among developed countries is downward [8]. To finance the demanding requirements of the global economy, capital must flow freely across borders, which necessitates the removal or loosening of national capital and exchange controls. This shifts power to international financial markets, and countries must adjust macro-economic policies to the needs of the system. As we have recently seen in Indonesia, Mexico, South Korea, and Russia, capital will flow out of countries that are deemed financially unstable unless appropriate stabilization and adjustment measures are promptly introduced [9]. Implementing these measures often has a heavy impact on labor, particularly workers employed in public sector activities subject to privatization. Investors who purchase these firms at reasonable or bargain prices will insist on organizational modifications, including force reductions, and the utilization where needed of contingent and casual workers. These changes explain, in part, union density rate decreases, notably in developing

countries, where large public sectors exist. Similarly, political leadership attuned to a global system's need for flexible labor markets, has via the administrative and legislative process weakened protective labor laws, thus making it more difficult to organize workers. Recent policies in the United Kingdom and New Zealand illustrate the dampening effect these changes have on union membership [8]. Further, where these policies complement the employment needs of small and medium-size companies, which are the emerging type of organizations in the flexible global marketplace and which increasingly employ part-time, contingent, and lately, more homebound workers, grouped around a permanent core of well-paid, skilled workers, the obstacles to organization are daunting. Turnover is high among the precariously employed, rendering any form of solidarity meaningless. In the United States, temporary and contract workers account for 25 percent of the workforce [8, p. 105; 10; 11; 12].

At present attempts are being made to organize workers on some international basis, but the diversity of legal systems hinders this development. The pattern of industrial relations practices and union density rates vary by country, and the uncertainties of the emerging global linkages impede effective strategy. In the United States, primary authority resides in national unions, organized on an industrial or craft basis. Members at the local level are more involved in collective bargaining. In many European countries there is little involvement at the local level of rank-and-file members in the bargaining process. Several international trade union organizations provide some degree of coordinated support to national and local labor unions, such as the International Confederation of Free Trade Unions (ICFTU), the European Trade Union Confederation (ETUC), and the International Trade Secretariats (ITS). The latter organizations have been more aggressive in recent years, reaching out to the unions of TNC subsidiaries, and establishing ongoing committees to monitor business and labor activities and to coordinate labor strategies and policies. The ITS has coordinated information exchanges among the subsidiaries of Mitsubishi, Honda, Ford, and Mazda. The AFL-CIO has also historically played a pivotal role in global trade union developments and actively participates in the above organizations and the activities of the International Labor Organization (ILO). The AFL-CIO's department of international affairs maintains an effective liaison with foreign trade union leaders and provides information on timely issues to U.S. labor attachés abroad. It coordinates many of these efforts with U.S. Department of Labor's International Labor Affairs Bureau (ILAB).

### **WORKER RESPONSES TO GLOBALIZATION**

A major obstacle facing effective global worker coordination is the fragmented nature of the nation-state system. Laws and industrial relations practices differ

widely regarding unionization and labor standards, and low-cost labor provides developing countries with competitive advantages. In the early decades of the post-World War II period, manufacturing was conducted in the advanced industrial economic countries, with the developing world providing raw materials. It was an ideal world for blue-collar workers. From this arrangement, unionized labor gained higher wage and fringe benefit levels and some degree of employment protection. This allowed for the development of public employee unions in the United States. Whether the system was the American model of business unionism, the European social-partnership model, or the Japanese enterprise labor-management cooperation model, the industrial relations systems worked well within this manufacturing milieu. This has changed today because technology and work can now be dispersed globally.

Some labor activists are convinced that the global economy requires a new form of labor movement organization that goes beyond the traditional collective bargaining relationship. The proponents of this view, known as social-movement unionism (SMU), contend that unions have to organize beyond their organizational bounds and liaison with neighborhood/community organizations. This is a class-based approach that has had some degree of success in South Africa and Brazil [13].

Unlike the traditional pattern of unionization in developing countries—where unions were allied with political parties—this approach advocates the independence of unions and a strong emphasis on political collaboration with other social-economic groups.

In South Africa, the focus was on abolishing apartheid, while in Brazil the fight was against military rule. The SMU approach appears to have gained acceptability in some FDI-targeted developing countries, where an emerging industrial working class confronts uncertainty and unemployment. The removal of the president of Bolivia in 2003 is an example of this approach. It has not influenced the European labor movement, although in the former Communist countries a variant of social movement unionism is discernable. The Western European unions are still allied with Social-Democratic and Christian-Democratic political parties.

In the late 1980s, the AFL-CIO sought to stem declining union membership by providing associate membership to nonunion employees. It was not an organizational relationship that centered on collective bargaining, since associate members were not represented by unions at the workplace, but a relationship where the AFL-CIO provided a myriad of benefits and services for a membership fee, including low-cost life and health insurance, labor-market information, employment counseling, and low-cost legal advice and representation. The logic underlying this novel initiative was to reach out to the large number of unorganized service and white-collar employees, provide unmet services, encourage organization, and build support for legislative proposals advanced

by organized labor [14]. It represented the traditional service model of American unionization. While not successful, perhaps because of weak organizational commitment or an inability to see its potential benefits, the present economic climate offers unions an opportunity to revisit this approach. In 2003, the AFL-CIO announced that it was creating an organization for nonunion workers. The emphasis of the new organization, called Working America, is on lobbying and working closely with unions on issues ranging from raising the minimum wage to maintaining the traditional Social Security program [15]. Whether and how this program will work remains to be seen.

The Internet, in the meantime, has beneficial advantages for labor organizations. For example, the Internet provides union and nonunion workers a reliable communications medium for rapidly disseminating information on a variety of labor topics. The Internet makes it easier to organize without a constant barrage of employer-asserted unfair union practices or employer-dominated worksite anti-union campaigns. Workers have an opportunity to discuss fully the benefits and downsides of unionization and the merits of legislative proposals. Rank-and-file members can participate in the formulation of union policies and the collective bargaining process. Moreover, the Net eliminates the traditional top-down leadership structures where a small cadre of union officials controlled the flow of information [16].

Importantly, the Net provides a wealth of data regarding the employment implications of globalization, particularly migration patterns. By 2020, the population of cities is expected to reach 3.9 billion people worldwide. This is an increase of 2.4 billion compared to 1990 [17; 18] and represents a large labor pool of mostly young, unskilled workers.

In the absence of employment opportunities in their geographical regions those people, of necessity, will migrate to affluent countries. This will increase the demand for public services, at a time when public budgets are decreasing and will heighten the probability of community dissonance. Thus, public employees have a compelling interest to participate in political-legislative debates that affect their professional careers. The Net provides the appropriate conduit for conducting rigorous discussions.

### **FUTURE DIRECTIONS AND POSSIBILITIES**

Regional integration (NAFTA, EU) offers union leaders an opportunity to influence labor and employment policies, and provides a mechanism for cross-border labor cooperation. It creates a de facto form of international unionism. Wages will differ among countries, reflecting distinct economic circumstances, but the interrelationships will afford unions the occasion to fashion social-economic proposals that address regional concerns. In the European Union,

where the partnership arrangement of labor-management relations is prevalent, and particularly if the German model of worker councils and co-determination is adopted elsewhere within the community with appropriate modifications, unions will be able to participate more broadly in corporate policy matters. In addition, if there is greater coordination of information exchange and policy formulation among labor ministries, the European labor movement, and the International Labor Organization, labor will be better prepared to deal with pertinent issues.

For example, the dynamics of globalization presuppose a technology-governed change process that requires ongoing organizational realignments. Workers will be retrained, redeployed, and laid off as firms restructure to remain competitive. It will not be a secured job environment, as continuous adjustments are required by market forces, but labor can negotiate protections, such as severance pay, retraining, job-outplacement assistance, and fringe-benefit continuation. Labor could also seek to influence protective social legislation. Further, since a more cooperative form of labor-management relationship is possible, at least within the European Union, longer-term contracts could be negotiated that contain these protections and additional productivity compensatory arrangements. A more cooperative cross-border labor movement, perhaps at times working in concert with other community organizations, has an opportunity to shape the contents of protective labor legislation.

Although formidable impediments exist, a regionally cooperative labor movement could try to influence the labor and employment policies of foreign affiliates that conduct intrafirm trade with home transnational corporations. For example, the French labor movement—acting with the support of the EU labor movement and with information provided by the ILO and ITS—could lobby home TNCs on behalf of affiliate workers. This lobbying could extend to host country governments. If successful, such advocacy could improve the employment conditions of affiliate workers and establish a pattern for workers outside the intrafirm employment loop. It is more feasible to improve and align labor policies in an arena where a production or business nexus already exists than trying to create common-denominator policies across the globe. The same basic approach would apply to the TNCs of the NAFTA countries, where labor cooperation is encouraged by side agreements. Since union density rates are higher in Mexico and Canada and, in fact, labor protection is enshrined in the Mexican Constitution, the potential for expanded cross-border labor cooperation is promising, especially since political power in Mexico has shifted from the Institutional Revolutionary Party (PRI) to other political parties.

In Asia, the same form of cooperation is possible, although the industrial relations model is different. Japan is the preeminent economic power in the region, and its labor-management practices will influence many of the countries where



Japanese TNC foreign affiliates are located. The Republic of Korea's (ROK) labor movement, with its more-aggressive style of negotiations and confrontation, is a possible role model candidate, particularly if it is successful in helping workers weather the present Asian economic slowdown. Authoritarian states like China and Singapore will likely follow traditional indigenous labor relations models because of their need for security and control, but this does not preclude cooperation between Japanese or South Korean unions and foreign affiliate workers [8, 19].

Japan, the United States, and the European Union are the global system's present powerhouses. The three regions have extensive economic ties and are competitive with one another; their more-organized labor movements have an opportunity to shape industrial relations practices. All of these countries have investment and trade relationships with many developing countries, and to varying degrees, influence labor policies therein. Information exchanges are possible, notwithstanding interregional competition, and the best practices from each region are available for adoption. If a basis for international labor cooperation exists, it is among these countries. This cooperation, though, will not be a positive-sum relationship, since their respective labor forces are in competition. This moots, by definition, an integrated global labor movement, but it does allow for the cross-fertilization of ideas.

On the downside, some global problems almost defy solution. How can global capitalism create enough jobs for the hundreds of millions of people who will enter the labor force in the next two decades? What level of world GDP growth is required to accomplish mass job creation? Ninety-five percent of the world's population growth will be in developing countries, and these individuals will need extensive educational and health-care assistance. How can the least-developed countries—which are not participating in the global economy—acquire the financial credits and technical aid necessary for the development of profitable agricultural activities? Will the labor forces of India, China, and Russia adopt the labor policies of the nearest or most-active Triad region, or will each evolve a separate hybrid industrial relations model?

ILO conventions can provide benchmarks for labor protection, and notable country or regional industrial relations practices perhaps can be adapted with selective modifications to fit local circumstances. The ILO can play a major role in coordinating information dissemination. The technology-driven global economy will necessitate constant organizational changes and cross-border realignments, which in turn will require flexible utilization of human resources. This will affect the contours of industrial relations systems. The predictable job classification systems of yesteryear will phase out or change substantially, and new systems of workforce deployment will increasingly characterize the workplace. The resulting uncertainties will surely pose continuous challenges, since there is no dispositive body of precedent to guide policy making.

But this state of affairs need not be viewed apocalyptically. Since workforces now compete globally, workers have an interest in the sustained profitability of their firms, and thus new systems of compensation, such as productivity-based pay and stock-ownership plans, can provide an incentive to maintain motivational commitment. These arrangements can be incorporated in collective bargaining agreements where unions represent workers, or can be adopted in nonunion settings. If these systems are supported by a broader framework of job-outplacement counseling, skills retraining, and limited severance compensation, laid-off employees will have an opportunity for re-employment.

For workers employed in the informal sector, or in job settings where these flexible protections are usually unavailable, legislative protection combined with some form of community assistance can help marginal workers develop and move to formal sector work.

In developing countries, where agriculture and informal sector employment dominate, education and basic health-care improvements can enhance the employability of indigenous workers, but here more-focused and targeted international and TNC assistance is needed to help develop first-stage agricultural export economies [20]. This will not be an easy task. The growing number of potential workers in the developing countries incessantly raises the employment barriers.

A global class-conscious labor movement is not in the cards, however, nor is the replication of the European, Japanese, or American industrial relations model on a worldwide scale. There are bound to be a diversity of labor and industrial relations practices and even variations of the socialist model.

Income distribution will still tilt toward the upper quadrant of the income spectrum, and employment security will be precarious. The market does not make philosophical judgments regarding inherent economic fairness; it also does not prevent workers from paying attention to their interests, mindful of course, of economic growth and productivity.

The twenty-first century will clearly be a challenging time for global labor.

## ENDNOTES

1. *World Investment Report, 1994: Transnational Corporation, Employment and the workplace* (United Nations, New York), p. xxi, 1994.
2. *World Labor Report: Industrial Relations and Social Stability, 1997-98* (International Labor Office, Geneva). "The globalization of the financial system has shifted power to the international financial markets, which has inevitably affected worker and union strategies" [1, p. xxv].
3. *World Investment Report, 1997: Transnational Corporations, Market Structure and Competition Policy* (United Nations, New York), 1997.
4. *Human Development Report* (New York: United Nations Development Program, 1997), p. 3.

5. Somini Sengupta, "Hunger Worsens in Many Lands, U.N. Says," *The New York Times*, November 26, 2003, p. 10. Sengupta noted that one in seven persons went hungry during 1999-2001.
6. Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton and Company, 2002), p. 25. This book deals primarily with the policies of the International Monetary Fund (IMF). Stiglitz was concerned that the stabilization remedies imposed on developing countries contributed to the continuation of poverty.
7. International Labor Organization Press Release, Jan. 24, 2003, regarding global employment trends.
8. *World Labor Report, 1997-1998* (Geneva: International Labor Office, 1998), pp. 6-7. According to this report, unionization has dropped by more than 20 percent in the countries where decreases occurred.
9. Jeffrey E. Garten, "Adrift in the Global Economy," *The New York Times*, May 11, 1998, p. A17. Garten's comment expressed the fragility of the global trading system. "The combination of explosive growth in world trade, direct foreign investment, and cross-border trading in stocks and bonds has created an even tighter web of connections among countries, all of which are in very different stages of development. The network is highly vulnerable to its many weak links.
10. This note stated in part, "In the United States, for instance, the number of temporary and contract workers has increased dramatically during the last decades and currently accounts for a quarter of the total workforce. Highly skilled professionals account for approximately 24 percent of contract workers, including lawyers, doctors, scientists, computer analysts, and financial auditors" [8, p. 105].
11. For an interesting article on measuring unemployment, see Austan Goolsbee, "The Unemployment Myth," *The New York Times*, Sunday, November 30, 2003, Section 4, p. 9. Goolsbee compared the unemployment rates to the 1982, 1982, and 2001-2003 recessions, and found that the lower rate of unemployment 2003 can be explained by the larger number of people who applied for Social Security disability payments. This removes them from the unemployment rolls. The 2003 unemployment rate was about 6.1 percent, compared to 7 percent in 1992, and more than 9 percent in 1982.
12. Joseph E. Stiglitz, *The Roaring Nineties: A New History of the Most Prosperous Decade* (New York: W. W. Norton and Company, 2003), p. 89. Stiglitz presented a well-thought-out analysis of globalization's relationship to employment patterns, wages, and productivity. The paradox is the lag in wage growth to significant productivity increases.
13. Kim Moody, *Workers in a Lean World: Unions in the International Economy* (London: Verso, 1997), p. 21. According to Moody, general or mass strikes occurred in response to neoliberal policies. He wrote, "In many cases, they had filled a vacuum created by the retreat of the traditional working-class parties or parties of the Left with which these labor movements had been associated." He provided a wealth of detail on globalization's impact on the world's working classes.
14. George S. Roukis, "A New Tune for the Unions: Look for the Needy Workers," *Newsday*, November 21, 1988, p. 61.
15. Steven Greenhouse, "AFL-CIO Begins Group for Workers Not in Unions," *The New York Times*, August 29, 2003, p. A16.

16. Arthur B. Shostak, *Cyberunion: Empowering Labor Through Computer Technology* (Armonk, New York: M. E. Sharpe), 1999.
17. Michael A. Cohen, Blair A. Rubble, Joseph S. Tulchin, and Allison M. Garland, eds., *Preparing for the Urban Future: Global Pressure and Local Forces* (Washington, D.C.: Woodrow Wilson Center Press), 1996.
18. Michael A. Cohen, "The Hypothesis of Urban Convergence: Are Cities in the North and South Becoming More Alike in an Age of Globalization?" [17, pp. 25-38].
19. Regarding collective bargaining, the report stated, "Collective bargaining still plays a relatively minor role in Asia. Nevertheless, the Republic of Korea's experience shows that this mechanism for dealing with labor problems is likely to evolve as economies develop and democracy advances" [8, p. 167].
20. For an interesting article on how targeted education policies can enhance the marketability and prosperity of a developing country's labor force, see *Human Development Report* (New York: United Nations Development Report), p. 37, 2001. India's technical colleges are graduating more than 73,000 information technology specialists per year, supported by extensive infrastructure investments in high-speed linkages to global communications networks. This workforce is geared to the evolving new global economy.

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