

Lecture 14

Relative Role of Actors in Governing the Global Economy (II): Role of Labour



KEY QUESTION:

Can labour influence economic activities?

With the completion of this lecture, attached readings and tutorial, you should be able to discuss the:

- influence of labour characteristics on TNCs' locational decisions;
- influence of labour unions on TNCs and states; and
- influence of TNCs and states on labour.

Lecture Outline

14.1 Introduction

14.2 Influence of Labour Characteristics on TNCs' Locational Decisions

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Bangladeshi garment workers lobbying for higher minimum wages in 2023

Once every five years, the Bangladeshi government revises the minimum wage. The current minimum wage, set in 2018, is 8,000 *taka*, or \$121 a month. The proposed 2023 revision was to 12,000 *taka*, or \$181; less than half of what unions say a living wage would be. A living wage is the theoretical income level that allows individuals or families to afford adequate shelter, food, and other necessities.

The clashes echoed past protests over minimum wage increases in 2013 and 2018. Workers demanded an increase that factory owners said they could not afford, and tense negotiations ensued that ultimately boiled down to economics dictated by companies not in the room: fashion brands that express support for decent wages but won't pay more for the products they ask factories to make. That's the widespread consensus among union organisers and labour researchers who followed the events in Bangladesh, which is the second-largest garment-producing country in the world but pays among the lowest wages in the industry.

The effective government of the global economy entails that workers work in safe conditions and can expect regular payments of a fair wage for their labour. The garment workers protests showcases the complexities in governing the global economy. **To what extent does labour play a role, vis-à-vis more powerful actors such as TNCs and the state?**

14.1 Introduction

- In **Lect 12**, we learnt that TNCs re-organise their operations between locations on an international or even a global scale.
- Like all firms, TNCs re-organise to **maximise profit** and **reduce losses**.
- As one of the factors of production (the others being land, capital and entrepreneurship), labour plays a role in determining where TNCs choose to locate their businesses. As we have learnt, when TNCs locate internationally, they lead to flows of material and capital, connecting places in the global economy. This is one way that labour, through its influence on TNCs, shape the global economy.
- Where TNCs locate, they, in turn, can have an impact on labour characteristics (see **Section 12.6** and **12.7**). This would affect development levels across space.
- Labour can influence the global economy through its impact on the types of economic policies that states adopt. Recall from **Lecture 13** that states may pursue economic clusters or export-processing zones, depending on the dominant labour characteristics in a country. This is another way that labour, through its influence on states, which then influences TNCs could shape the global economy.
- In this lecture, when we examine labour and its impact on states and TNCs, we are primarily concerned with **how labour can shape the global economy**.

14.2 Influence of Labour Characteristics on TNCs' Locational Decisions

- The learning outcomes for this lecture specify three similar terms, labour, labour characteristics and labour unions.
 - **Labour** is a factor of production.
 - **Labour characteristics** refer to different aspects of labour. Key labour characteristics include skill level, cost, size of the labour force (labour supply) and degree of organisation or unionisation.
 - **Labour unions** refer to an **organized association of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests**. In other words, labour unions affect one labour characteristic, degree of organisation or unionisation.
- Labour is fairly immobile, and labour characteristics differ across different places. Therefore, TNCs seeking to maximise profits and minimise losses would **make locational decisions to take advantage of those geographical differences**.

14.2.1 Labour Skills

- **Recall** how TNCs locate their headquarters and R&D in areas with highly-skilled labour, while they locate their branch plants in areas with less skilled labour.

14.2.2 Labour Wages

- Labor costs are typically higher in developed economies due to several interconnected factors. These factors combine to create a situation where labor costs in developed economies are generally higher than in less developed countries. However, it's important to note that higher labor costs are often offset by higher productivity and the production of higher-value goods and services, allowing developed economies to remain competitive in the global market.
 - i. **Shift in economic structure:** Developed economies have largely transitioned from labor-intensive agriculture to more capital-intensive manufacturing and service sectors. This shift has reduced overall labor intensity and increased the value of skilled labor.
 - ii. **Cost of living:** Developed economies often have higher costs of living, which necessitates higher wages for workers to maintain their standard of living.
 - iii. **Labor regulations:** Advanced economies typically have more robust labor laws and regulations, including minimum wage laws, which can contribute to higher labor costs. Developed countries often also have more comprehensive social security systems, which can increase the overall cost of labor for employers.
 - iv. **Education, skills and productivity:** Workers in developed economies generally have higher levels of education and specialized skills, commanding higher wages in the labor market. Higher levels of education and specialised skilled also allow workers in developed economies to be generally more productive, which justifies higher wages.
 - v. **Tight labor markets:** When labor markets in developed economies are tight, with low unemployment rates and low rates of population growth, this can drive up wages as employers compete for workers.
- In contrast, LDCs are often able to offer lower labour costs.
 - There exists a large reserve pool of labour in LDCs. Many LDCs have high natural increase rates that provided a large population to be tapped for labour-intensive work.
 - Furthermore, the introduction of improved agricultural production methods (such as those linked to the Green Revoution), especially in Southeast Asia liberated many people from subsistence rural life.
 - Higher supply of labour leads to lowering of labour costs.
 - Moreover, because of the size of the labour supply, the TNCs can afford to select their employees according to age, skill, and particular factors suited for their production (for example, female labour in clothing factories in Indonesia and Vietnam, or young English-speaking graduates for call centres in India and the Philippines).
- Often, when the cost of production increases in an area, TNCs may **shift certain components of their production network from their home countries (usually DCs) to host countries (usually LDCs).**

This process is commonly termed '**off-shoring**'. Off-shoring contributed to the ascendancy of China as a manufacturing giant. At the same time, it should be noted that labour differences were not the sole reason for vigorous off-shoring to China. The development of Special Economic Zones by the Chinese government had an equally important role to play (see **Box 1** in **Lect 13**).

- In more recent times, rising costs in China have prompted TNCs to **reorganise themselves** and move their operations to other countries. See also the shifting of operations from more expensive ASEAN member states to Cambodia, Laos, Myanmar and Vietnam in **Lect 14**.
 - South Asian countries like India and Bangladesh are prime candidates for TNCs to move to, thanks to their vast lands and young populations. Bangladesh, an apparel manufacturing giant, has attracted \$770 million worth of foreign direct investment from China — the highest amount among foreign investors, Md Sirazul Islam, the executive chairman of the Bangladesh Investment Development Authority, told the Dhaka Tribune media outlet in June 2022. The cost difference is significant — the average monthly salary of a worker in Bangladesh is around \$120, less than one-fifth of the \$670 a factory worker takes home in the southern-China manufacturing hub of Guangzhou, Mostafiz Uddin, the owner of the Bangladeshi apparel manufacturer Denim Expert, told *Insider* in December 2022.
- It should be noted that geographical variations in labour characteristics cannot fully explain TNC re-organisation. In the case of TNCs reorganising their supply chains to reduce their reliance on China, geopolitical tensions (i.e., trade relations between US and China), prolonged port closures in China due to the COVID-19 pandemic and calls for 're-shoring', the process of returning the production and manufacturing of goods back to the company's original country, all play a role in the locational decisions of TNCs.

14.3 Influence of Labour Unions on TNCs and States

- Wage costs may rise in domestic markets because of strong labour unions fighting for higher labour benefits, which cuts into the profits of firms should they oblige to the unions' demands. Such negotiations are common in the economies of DCs. At the same time, in advocating for labour benefits, labour unions indirectly help to increase the level of development in a place.
- Also, in LDCs, it is common to see less militancy from workers due to weak, or the absence of, labour unions.
- Based on the International Labour Organisation's 2022 report, most countries have less than 50% trade union density. The trade union density rate is the share of employees who are union members, expressed as a percentage. Trade union membership excludes union members who are not in paid employment (self-employed, unemployed, retired, etc.).
- Labour unions work to protect and further the rights and interests of their members through various means.
 - Workers covered by **collective bargaining** are all those workers whose pay and/or conditions of employment are determined by one or more collective agreement(s).

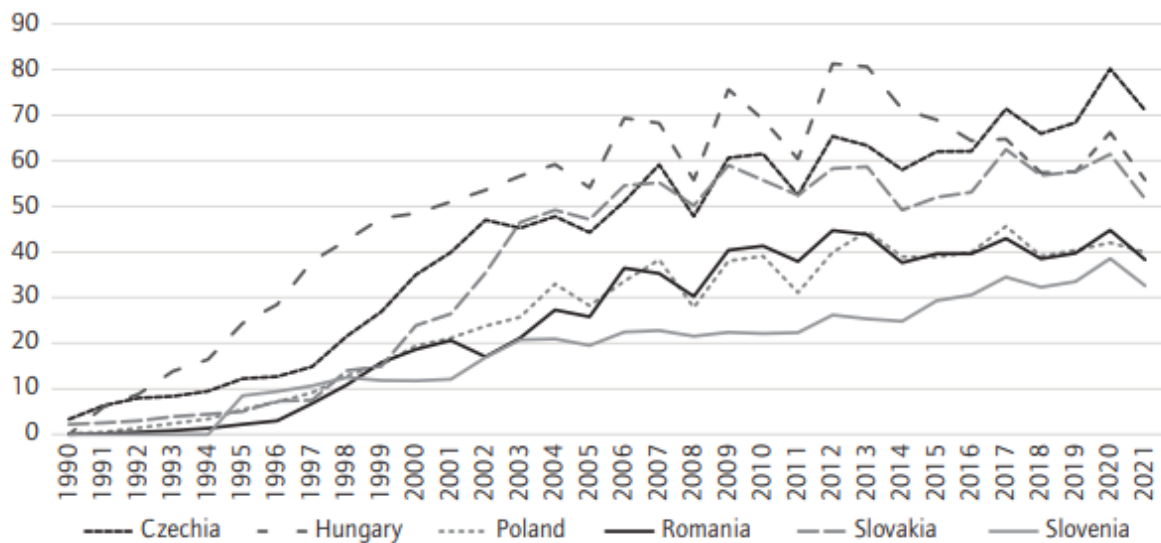
Collective bargaining agreements refer to all agreements in writing regarding working conditions and terms of employment concluded between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more representative workers' organisations, on the other. Collective bargaining coverage includes, to the extent possible, workers covered by collective agreements by virtue of their extension, as well as workers covered by collective agreements concluded in previous years but still in force.

- A **strike** is a temporary work stoppage carried out by one or more groups of workers with a view to enforcing or resisting demands or expressing grievances or supporting other workers in their demands or grievances.
- The concept of days not worked because of strikes refers to the total number of working days during which work would normally have been carried out by each worker involved had there been no stoppage.
- The actions of labour unions can have significant impacts on TNCs and states.

14.3.1 Influence of Labour Unions on TNCs

- TNCs frequently undertake investment in countries with lower wages and worse trade union representation than in their home country.
 - As seen in **Fig. 1**, the stock of FDI as a percentage of GDP from 1990 to 2021 in six Eastern European countries generally increased. This could be attributed in part to the degree of collective bargaining, trade unions and industrial relations in Eastern Europe. In comparison with Western Europe, trade unions appear less favourably placed with generally lower membership densities. Collective bargaining is less firmly entrenched and overwhelmingly focused on the company rather than on the sector or the national level. Legal frameworks, revised in the years after 1989, secured employees' basic rights and protections and set rules and conditions for unions' legal existence, for strikes and for collective bargaining. However, there are some differences between countries and some changes over time which, can make substantial differences to trade unions' power resources. A clear example is Romania which saw dramatic changes in 2011 from a system more favourable than most to collective bargaining to one that imposed tough conditions on unions for the right to represent employees and which effectively ended sectoral and national-level bargaining. Slovenia also differed with stronger structures of sectoral and national bargaining which, although weakened in the aftermath of EU accession and the financial crisis of 2008- 2009, continue to mark the country as the one with the strongest trade unions.

Figure 1 Stock of FDI as a percentage of GDP, 1990 to 2021



- It is also believed that labour unions can reduce the competitiveness of firms due to the high wages paid to unionized workers. In 2023, United Auto Workers union (a union representing automobile workers in the USA) proposal to hike wages by 40%, cut workweeks and add new pension benefits. Ford Motor Chief Executive Jim Farley said if the UAW proposal had been in effect since 2019, instead of making about \$30 billion in profits over four years, the company would have lost about \$15 billion "and gone bankrupt by now." Because of this point and the previous one, TNCs typically avoid locating in places with strong labour unions.
- However, the cumulative impact of labour unions on TNCs can be improved profit margins and increased labour engagement (see **Box 1**). This is because unions can:
 - Open a new line of communication between management and workers where employees may feel freer to be honest about safety, work processes, productivity and their views about supervisors. This allows employees to highlight problem and suggest solutions.
 - Work with company management to address worker needs and concerns.
 - Improve companies' safety practices and records
 - Reduce turnover
 - Increase productivity since many unions can provide expertise in training because they have represented workers in many different companies and industries and have a historical perspective

Box 1: Financial Performance at Amazon and FedEx, Versus UPS Demonstrates the Value Unions Can Bring – case study

In 2021, unionized UPS had a very strong third quarter. Operating profit was up more than 20% year-on-year, and the company raised projections for its full-year results. When investors asked CEO Carol Tomé about the labor shortage, she seemed genuinely unconcerned: “I feel really good about our ability to manage through the labor cost inflation that many companies are struggling with today.”

Non-union FedEx and Amazon did not fare as well. The labor shortage cost FedEx nearly half a billion dollars, primarily in lost productivity due to understaffing. Profit declined on a year-on-year basis, and the company lowered its financial projections. Amazon incurred \$2 billion in additional hiring costs and lost productivity, and anticipates spending twice as much in the fourth quarter. In large part due to these costs, Amazon's profit declined nearly 50%. Stock prices at both companies dropped. “The impact of constrained labor markets remains the biggest issue facing our business,” FedEx's president, Raj Subramaniam, said.

How much do UPS's unions contribute to its success? They have secured some of the highest wages in the industry for their drivers: \$36 an hour on average. And annual wage increases are guaranteed by a multiyear collective bargaining agreement. This gives UPS drivers good reason to stay on the job, and their average tenure is 16 years. Low turnover reduces UPS's need to hire and gives the company operational stability.

Amazon and FedEx offer lower pay and less upward mobility. Both use contract drivers; a 2018 analysis found that Amazon Flex and FedEx drivers earned around \$5.30 and \$14.40 per hour, respectively, compared to UPS's then-rate of over \$23. At Amazon warehouses, new hires earn an average starting wage of \$18.50, but because there is so little upward mobility, \$18.50 is also the company's average wage. Unsurprisingly, Amazon appears to have much more trouble recruiting and retaining employees than UPS, leading to higher costs despite their lower pay.

14.3.2 Influence of Labour Unions on States

In this section, we will examine how labour unions influence states. Most of the points relate to how labour unions can affect development levels of different places, thereby affect variations in development levels across different places.

(a) Increased levels of FDI

- Theoretical economic reasoning would typically suggest that unionisation, which tends to increase the level of wages, will act as a deterrent to FDI (Naylor and Santoni 2003; Munch 2003). Nevertheless, several empirical studies find instead a surprising positive effect of unionisation on direct investment (e.g. Friedman et al. 1992).
- One reason for this is the use of large government subsidies, which are paid in regions with strong union power and high unemployment, such as eastern Germany or southern Italy. TNCs locating in these regions have often been able to receive subsidy rates of 25%-30% of the total value of the investment. This raises the further question, however, of why high-wage countries or regions are willing to offer such high subsidy levels to TNCs, thus outcompeting their lower-wage neighbours.
- However, in low-cost locations, empirical evidence suggests that labour militancy may lead to the shifting of FDI away from a country.
 - In 2014, Adidas AG is moved some production away from Yue Yuen Industrial Holdings Ltd.'s shoe factory in Dongguan, China, after a strike over benefits and pay disrupted output for a ninth day.

(b) Increased government revenue and decreased government spending

Unionization has a range of positive economic impacts in addition to decreasing wage inequality and closing gender and race wage gaps. Sojourner and Pacas (2018) find that union membership yields a positive "net fiscal impact"—or, to put it simply, unionized workers have more income and therefore pay more taxes. Unions pave the way for more income and wealth-building for workers and therefore more revenue for the government. Sojourner and Pacas (2018) also find that unionized workers use fewer public benefits. Higher incomes allow workers and their families to be less dependent on government benefits, and unions also help workers win benefits such as health insurance from their employers.

(c) Increased civic engagement and broader community benefits

Beyond wages, benefits, and safety, recent scholarship shows the indirect effect unions have on people's political and personal attitudes and on the broader community and economy as a whole. Frymer and Grumbach (2021) find that union membership reduces white racial resentment. Feigenbaum, Hertel-Fernandez, and Williamson (2019) analyze the relationship between unions and political advocacy, specifically on policies related to worker empowerment and economic justice. They find that weakening unions (through the enactment of "right-to-work" laws) has significant long-term political and economic effects, such as lower voter turnout, lowered organized labor contributions, less voter mobilization, fewer working-class candidates serving in state legislatures and Congress, and more conservative state policy. These political consequences undoubtedly affect not only the communities in which they take place, but also the broader economy, as the chosen candidates enact economic policies.

(d) Contributes to Sustainable Development

SDG 8.8.2 measures the level of national compliance with labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by sex and migrant status. Therefore, the actions of labour unions can contribute to the progress of sustainable development in a country.

- In a study of American states, it was found that higher levels of unionization in states and a range of economic, personal, and democratic well-being measures. In the same way unions give workers a voice at work, with a direct impact on wages and working conditions, the data suggest that unions also give workers a voice in shaping their communities. Where workers have this power, states have more equitable economic structures, social structures, and democracies (see **Fig. 2**).

Income and economic protections

We find that, on average, the 17 U.S. states with the highest union densities:

- have state minimum wages that are on average 19% higher than the national average and 40% higher than those in low-union-density states
- have median annual incomes \$6,000 higher than the national average
- have higher-than-average unemployment insurance reciprocity rates (that is, a higher share of those who are unemployed actually receive unemployment insurance)

Health and personal well-being

We find that the states with the highest union densities:

- have an uninsured (without health insurance) population 4.5 percentage points lower, on average, than that of low-union-density states
- have all elected to expand Medicaid under the Affordable Care Act, protecting their residents from falling into the “coverage gap”
- are more likely to have passed paid sick leave laws and paid family and medical leave laws than states with lower union densities

Democracy

We find that:

- Significantly fewer restrictive voting laws have been passed in the 17 highest-union-density states than in the middle 17 states (including D.C.) and the 17 lowest-union-density states.
- Over 70% of low-union-density states passed at least one voter suppression law between 2011 and 2019.

Fig. 2 Benefits of High Union Densities on American States

(e) *Slower Economic Recovery*

Labor unions attempt to reduce the number of jobs in an industry in order to raise the wages of their members. Labour unions also cut into corporate profitability, thus reducing business investment and employment over the long term.

These effects do not help the job market during normal economic circumstances, and they cause particular harm during recessions. Economists have found that unions delay economic recoveries. In the United States of America, states with more union members took considerably longer than those with fewer union members to recover from the 1982 and 1991 recessions.

(f) *Knock-on Effects of Strikes*

Strikes can have knock-on effects on the broader economy. This is often due to the ripple effects of halted production, diminished spending, and staffing cuts.

For example, the Hollywood writers and actors strikes in 2023 are estimated to have had an economic impact of more than \$5 billion across the United States by November 2023 because of halted production, diminished spending, and staffing cuts. The bulk of the impact will be felt in states with large production industries like California, which is expected to lose approximately \$3 billion, and New York, which is reporting a loss of \$1.3 billion as a result of the strikes.

These losses come from a wide variety of sectors touched by film and television production. Productions bring in hundreds of people per day to communities who make personal and professional purchases at various local businesses, including caterers/restaurants, lodging, designers, and more.

(g) Collaboration with States

- The example of Tripartism in Singapore (see **Box 2**) provides an example of how labour unions, the state and firms (including TNCs) can work together to bring about positive economic and social outcomes.

Box 2: Tripartism in Singapore – case study

WHAT IS TRIPARTISM

In Singapore, tripartism refers to the unique collaborative approach adopted by unions, employers, and the Government in promoting shared economic and social goals to arrive at win-win outcomes for all parties in a non-confrontational and objective manner. The tripartite partners are the Ministry of Manpower (MOM), National Trades Union Congress (NTUC) and Singapore National Employers Federation (SNEF).

Tripartism in Singapore

Tripartism refers to the collaboration among unions, employers and the Government. It is a key competitive advantage for Singapore. Tripartism has promoted harmonious labour-management relations, helped overcome manpower challenges, boosted Singapore's economic competitiveness, and contributed to Singapore's overall progress.

The key tripartite priorities include:

- Upgrading capabilities of employers and workers
- Uplifting and strengthening support for our vulnerable and mature workers
- Fostering inclusive and progressive employment practices, and upholding workplace fairness

The tripartite partners

The tripartite partners are:

Ministry of Manpower (MOM)

MOM is responsible for formulating and implementing labour policies related to the workforce in Singapore. It aims to develop a globally competitive workforce and a great workplace, for a cohesive society and a secure economic future for all Singaporeans.

The National Trades Union Congress (NTUC)

NTUC is a national confederation of trade unions as well as a network of professional associations and partners across all sectors in Singapore.

NTUC's objectives aim to help Singapore stay competitive and workers remain employable for life; to enhance the social status and well-being of their members and working people; and to build a strong, responsible and caring labour movement

NTUC's vision is to be an inclusive labour movement for all collars, ages and nationalities.

NTUC is at the heart of the Labour Movement, which comprises 58 affiliated unions, seven affiliated associations, 12 social enterprises, six related organisations as well as a growing ecosystem of U Associates and enterprise partners.

The Singapore National Employers Federation (SNEF)

Established in 1980, SNEF is a national trade union of employers that represent the interests of all sectors of the economy.

SNEF's mission is to advance tripartism and enhance labour market flexibility to enable employers to implement responsible employment practices for sustainable growth.

With the support of over 3,300 corporate members, SNEF is an active player in facilitating the tripartite partnership among the Government, employers and unions in shaping labour policies that enable employers to enhance harmonious union-management relations, employer-employee relations, productivity, and competitiveness.

From: <https://www.mom.gov.sg/employment-practices/tripartism-in-singapore/what-is-tripartism>

14.4 Influence of TNCs and States on Labour

After examining how labour can influence states and TNCs through their characteristics and through labour unions, we will now examine how states and TNCs influence labour. This will allow us to discuss the relative influence of TNCs, states and labour in shaping the global economy.

14.4.1 Influence of States on Labour

(a) *States can contribute to the upskilling of labour through education and training (see **Section 13.3.2 Example 1** in **Lect 13**).*

(b) *States can ensure a stable supply of labour (see **Section 13.3.3** in **Lect 12**). See also **Box 3**.*

Box 3: Attracting Global Talents to the United States - case study

High skilled immigration to the United States has been, for a long time, a fundamental driver of wealth and job creation. The H-1B Visa program, created by Congress in 1990, has played a fundamental role in driving innovation and business growth in the United States for almost 30 years. The work-focused visa allows US companies to hire high-skilled workers, predominantly in the IT and tech sectors. Under the H-1B program, 65,000 new visas are issued every year, with an additional 20,000 available to workers with a US master's degree or higher. These temporary visas last for 3 years, with the option of an additional 3-year extension.

The economic benefits of the H-1B visa program are not only felt by the immigrants themselves—the resulting boost to investment and innovation creates significant opportunities for Americans. Evidence suggests that for every temporary foreign worker hired by a US firm, 5 to 7.5 new domestic jobs are created in those industries, and that a 1 percent increase in foreign STEM workers leads to a 7 to 8 percent increase in native workers' wages.

(c) *States can implement a range of labour market policies to promote enhanced **labour market flexibility**.*

- States, especially in older DCs in Europe and the US, are recognising the need to remove rigidities in the labour market to make it more in tune with what are seen to be the dominant characteristics of a globalising world economy to remain competitive. As a result, a variety of labour market measures, employed in various combinations has emerged (see **Fig. 3**). Many of these measures are more beneficial for businesses than for labour. For example, the rise of temporary and fixed term contracts deprive labour of job security, while allowing firms to 'right-size' the number of employees as befits the firms' needs.



Fig. 3 Elements of labour market policies

(d) States can contribute to the decline in union membership.

- The rate of union membership has declined in many countries in recent years (see **Table 1**).

Country	2000/2001	2014/2015
Argentina	42.0	27.7
Australia	24.7	15.0
Canada	30.1	28.6
France	8.0	7.9
Germany	24.6	17.6
Italy	34.4	35.7
Japan	21.5	17.3
Korea	11.4	10.1
United Kingdom	29.8	24.7
United States	12.9	10.6

Table 1 Union density (%) in selected countries 2000/2001 to 2014/2015 (from Coe, Kelly & Yeung, 2020)

- Two patterns are clear.
 - One is that the level of union membership is highly uneven across different countries, reflecting labour histories, government policies and the structure of their economies, even in closely integrated economies such as Canada and the United States, the difference is stark (and largely attributable to high levels of public sector unionization in Canada).
 - Secondly, even in just 14 to 15 years, union membership has dropped dramatically in many countries, with Argentina, Australia and Germany seeing particularly steep declines. Government policies that undermine the ability of unions to organise have also played a role. In the United States, for example, more than half of all states now have so-called 'Right to Work' legislation that inhibits union organizing (Peck, 2016). 'Right To Work' laws allow workers in a unionized workplace to opt out of paying union dues, thus eroding the union's financial standing and its bargaining and political power.
 - In a study that compared states in the USA with 'right to work' laws with states in the USA without 'right to work' laws, it was found that:

- States with "right-to-work" (RTW) laws have lower unionization rates, wages, and benefits compared with non-RTW states.
- On average, workers in RTW states are paid 3.2% less than workers with similar characteristics in non-RTW states, which translates to \$1,670 less per year for a full-time worker.
- Claims that weakening unions will lead to state job growth have proven inaccurate. There are no measurable employment advantages between RTW and non-RTW states.

14.4.2 Impact of TNCs' Decisions on Labour

- (a) The impact of TNCs on labour can be seen in the **effect TNCs have on wages, skill levels and working conditions** of labour in the locations where TNCs are located (see **Section 12.6** and **12.7**).
- (b) In addition, the decision of TNCs to subcontract, globalise production, use migrant workers and home-based work have all **reduced the number of traditionally unionized** jobs or made them harder to organize.
- Not only are workers **fragmented across space** in smaller and more isolated units (recall the separation of production across different branch plants located globally), but they are **fragmented administratively** by the complex networks of direct employers and sub-contractors (recall the inter-firm network of TNCs), contractually through the individualization of employment relation and temporally by the intensification of part-time and shift work (*also known as temporary staffing*).
- (c) Temporary agency workers may be a small fraction of the total workforce (4.1% of the workforce in the United Kingdom; 3.6% in Australia; 2.1% in the United States; 2% in Japan; 0.3% in Brazil; 0.7% in Canada), but the existence of such employment relations may be a factor in **undermining standards in the labour market** as a whole.
- Since the 1970s, temporary staffing has developed into a significant component of many national labour markets. In 2006, it was estimated that 67,500 employment agencies around the world placed 8.9 million workers. By 2016, 56 million people were being placed by agencies (a six-fold increase in just a decade), generating approximately US\$550 billion in revenue for the staffing industry.
 - Standard employment contracts that included permanent, full-time work with employee benefits have increasingly given way to insecure work that may be part-time, on contract, outsourced, fixed-term, and home-based.
 - Temporary staffing is **appealing to TNCs** as it allows TNCs to: make rapid changes to the size of their workforce; reduce the cost of hiring; avoid risks and responsibilities of a standard employment relationship such as pensions, benefits, holidays, and so on; and, in some cases, it may also reduce wage costs even after paying the fees of the temp agency.

14.4.3 New Modes of Labour Organisation

The cumulative impact of TNCs and states has been to make organizing (or unionization) more challenging. This has necessitated changes in the way labour organize themselves. New strategies of labour organizing have been developed in response to the challenges of organizing labour due to the influence of states and impact of TNCs' decisions on labour.

i. Community Alliance Building

- The first strategy involves unions reaching out to other community groups in order to organise and bargain for workers.
- A classic example of this strategy is the Justice for Janitors (JfJ) campaign in the United States.
 - Organising cleaners, security guards and others working in the building services sector has always been a challenge for trade unions. Having migrated from all over the world, employees often work at night in isolation and they may have little in common with each other. They may also be part-timers and temporary employees with other jobs to go to after they finish their shift.
 - The JfJ campaign was started in Denver and Los Angeles in the 1980s by the Service Employees International Union (SEIU). Faced with a declining union membership among office cleaners and healthcare workers in Los Angeles, the union reached out to immigrant communities (especially Latin Americans, who dominated janitorial jobs) that were not well-represented among union organisers. Other community organisations such as churches, local politicians, schools, and colleges also became involved. JfJ coupled these collaborations with creative media campaigns to raise awareness of the hard and essential work done by janitors and the poor pay and working conditions they endured. With a local coalition in place, the union was able to organise workers across all downtown office buildings so that various cleaning companies could not outbid each other on local contracts by undercutting wages.
 - The results in Los Angeles were impressive. Between the mid-1980s and the mid-1990s, unionization among downtown LA office cleaners increased from around 10% to around 90%.
 - The next move by the SEIU was to organize all the local janitors' unions into a statewide branch of the union, thereby creating a powerful force to negotiate with the increasingly large companies globally.
 - This example highlights two key geographical elements of contemporary labour organising.
 1. The need to move upwards from the workplace to the larger scales at which employers are operating.

2. Place-based local alliances built by the union (often called community unionism) are critical so that the struggles of low-paid janitors are not simply theirs alone.

ii. Social Movement Unionism

- o A second new model for organising involves building campaigns for more generalised improvements in pay and working conditions that apply to all workers.
- o Minimum wages, for example, are usually set by national or subnational governments. In the United States and Canada, a broad alliance of unions (including the SEIU), community organisations, anti-racism groups, religious congregations, and others have come together to advocate for increases to the minimum wages through the 'Fight for \$15' (referring to a \$15 per hour wage).
- o The 'Fight for \$15' began in 2012 among fast food workers in New York City but quickly spread and a \$15 minimum has been adopted in numerous states, cities and employers across the United States.

iii. Workers' Centres

- o A third model involves creating workers' centres that provide services for low-wage and precarious employees, especially where their status as temporary or undocumented migrants, or recent immigrants, makes them vulnerable. Such centres are often partly funded or supported by unions, but do not operate in the traditional union model.
- o Instead, they provide a wide range of advice, services, and advocacy that often goes well beyond workplace issues.
- o For example, the Guadalupe Centre was established by a group of Mexican women in Immokalee, Florida in the mid-1980s and serves around 12,000 people annually. The centre provides services such as informal child care (important for workers on unpredictable schedules), healthcare education, translation, family counselling, clothing exchanges, literacy programs and a good pantry.
- o What is striking about this list is that these services do not related directly to workplace issues but instead to the everyday survival of workers and their families.
- o **N.B.** Precarious employees refer to those employed in insecure forms of work across a range of construction, manufacturing and consumer service sectors characterised by low-pay, part-time and temporary contracts, weak health and pension benefits, and low levels of union coverage.

14.5 Conclusion

- This lecture has examined the extent to which labour can shape the global economy.
- Some important points to consider would be:
 - o the extent to which labour can **directly** shape the global economy,
 - o **what gives labour the ability** to influence TNCs and states,
 - o the extent to which **different types of labour** have influence on TNCs and states,

- the extent of the influence of labour on **different types of states**, and
- the changes in the ability of labour to influence TNCs and states **over time**.

Development, Economy and Environment

Tutorial 14: Role of Labour

Question 1: Essay (To be completed in class)

'TNCs and states play a bigger role than labour in shaping the global economy.'

Evaluate the validity of this statement.

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