Lecture 15

Workers of the World: Hope in the East?
Lec. 15: Workers of the World

I. Global Labor Markets
II. Why Migration?
III. Global Competition
IV. Worldwide Struggles
I. Global Labor Markets

A. National Labor Markets

B. Comparative Labor Systems

C. International Labor Markets
National labor markets

- National territory
  - Most labor does not cross borders (95%)

- Internal leveling
  - National job searches
  - Internal migration
  - Firm competition
  - National standards
National Wage Differences

- Capital weighs national wage differences
National standards

- National standards of living
  - Historic wages & costs

- National labor laws
  - & labor standards

- National unions
  - & demonstration effects
I. Global Labor Markets

A. National Labor Markets

B. •Comparative Labor Systems

C. International Labor Markets
National Labor Systems

- More than wages
  - Social orders of employment & work

- Key facet of national capitalisms
  - And national competition
    - More than wage rates

US Labor System

- Hire and fire
  - Hire young, fire old
- High wages, low benefits
- Long work year, short vacations
- State-level labor laws
- Union density low, power weak
- Link to Democratic Party
French Labor System

- Stable jobs, seniority
  - High youth unemployment
- Moderate wages, high benefits
- Shorter work year, more holidays, long vacations
- National labor laws
- Strong core unions
  - But low union density
  - Lots of strikes
- Ties to Socialist & Left Parties
Japanese Labor System

- Nenko (lifetime employment)
- Company unions & culture
- Labor participation & teams
- Moderate wages & benefits
- Annual strikes (formalized)
- Long working year

In the core companies only

Lots of change recently
I. Global Labor Markets

A. National Labor Markets

B. Comparative Labor Systems

C. International Labor Markets
Many Workers Cross Borders

- New global migration
  - South-North, South-South
- Still only 5% of total labor
  - Most migration is still internal
Europe, US & Japan

- US immigration
  - Latin America & Asia

- EU guestworkers & more
  - Mediterranean & Africa

- Japanese insularity
Filipinos – Workers of the World

- 8 million abroad
- Middle East, India – Also Europe & US
- Women/domestics – Seamen, laborers
Workers of the World

I. Global Labor Markets
II. Why Migration?
III. Global Competition
IV. Worldwide Struggles
II. Why Migration?

A. • Rural Transformations

B. The Labor Siphon

C. Waves of Migration
Rural Exodus

- Rural displacement & ‘primitive accumulation’
  - Loss of land
  - Loss of means of support

- Expanding rings of exodus
  - Europe
  - Latin America
  - Africa
  - Middle East
  - China (150 million)
  - India
Growth of Cities

- Rural to urban migration
  - Capitalism & urbanism

- Rise of great cities
  - From London to Shanghai

*Fig. 4.1. Current world distribution of metropolitan areas with populations greater than 1 million. Source of data: UN, World Urbanisation Prospects. New York: United Nations, 1995.*
II. Why Migration?

A. Rural Transformations

B. • The Labor Siphon

C. Waves of Migration
Demand Pull

- Labor demand
  - Growing areas & industries
    - Exceed local supply
  - Migrants do not go to places where demand is low
    - E.g., California vs. North Dakota
  - Few move for ‘wage differential’
    - Need rural displacement + jobs
Recruitment

- **Direct**
  - Adverts, flyers, agents, campus visits, etc.

- **Merchants of labor**
  - Contractors, Websites, temp agencies, unions, etc.

- **Word of mouth**
  - Workers recruit their family & friends

- **Governments**
  - International deals, local farm labor bureaus, student aid, etc.
Migration Streams

- Continuing flows of labor
  - generate momentum

- Chains of migration
  - Social networks
  - Support systems

- Very specific
  - By employer, industry, place
The Labor Siphon

- Labor pipeline
  - Connects places across long distances

- Shifting sources of supply
  - Exhaust one, then move on

- Shifting areas of demand
  - Industrial expansion & shifts
II. Why Migration?

A. Rural Transformations

B. The Labor Siphon

C. Waves of Migration
Waves of Migration

- Immigrant flows move in concert with business cycles
  - Supply responds to major waves of growth in labor demand
Dynamics of Migration Waves

- Demand-led upswings
  - Waves of capital accumulation
- Labor supply momentum
  - Success pulls more migrants
- Supply overshoot & fall off
  - Lagged response

Figure 2. Number of Legal Immigrants and Economic Downturns, 1820-2003

Border Crossings & Labor Demand

The graph, which shows border apprehensions lagged by six months against overall American job market conditions, is from Pia M. Orrenius, a senior economist at the Federal Reserve Bank of Dallas.

*Graph courtesy of Pia M. Orrenius. Sources: Bureau of Labor Statistics; Department of Homeland Security; author's own calculations. Note: Employment is expressed in deviations from long-run trend and Border Patrol apprehensions are lagged six months. Employment and apprehensions have been seasonally adjusted.*
Migration And Growth

- Immigrants feed growth
  - Fill jobs
  - Augment profits
  - Spend wages » multiplier effects

- Migrants & labor replacement
  - Migrants mostly fill new jobs as economy grows
  - Yes, migrants can take away jobs
    - When employers trying to cheapen labor

- Overall US experience
  - Immigrants built this country
Beware the Backlash

- Labor fears
  - They’re taking our jobs

- Malthusian myths
  - Migration = overpopulation

- Nativist myths
  - National purity & foreign contamination

- Exaggerated fears
  - UK poll: est. 23% immigrants vs. actual 4%
Workers of the World

I. Global Labor Markets

II. Why Migration?

III. Global Competition

IV. Worldwide Struggles
III. Global Labor Competition

A. • Global Glut
B. Capital Moves
C. Labor Upgrades
D. A Moving Front
Global Labor Supply Expands

- Rapid release from agriculture
  - Populous nations of Asia
  - Uptake in mega-cities

- Most of it very low wage
  - Rural standards/wages low
  - Patriarchy & repression
    - E.g. Chinese manuf wage ~ 2.5% US

- Growth of global working class
  - More than doubled since 1990
  - Global surplus labor greater
    - ‘industrial reserve army’
Pressure of Global Labor Glut

- Declining wages in Global North
  - Average wage falling
  - Low end workers hit hardest

- But there’s more than labor glut at work in falling share of income
  - Recall lecture 13
II. Global Labor Competition

A. Global Glut
B. •Capital Moves
C. Labor Upgrades
D. A Moving Front
Accessing Cheap Labor by Trade

- The retail strategy
  - E.g., garments, shoes, toys
  - Goods are the biggest ‘Immigrant threat’

- How NICs compete with Global North
  - Lower wages as competitive advantage
Accessing Cheap Labor by Offshoring

- The electronics strategy
  - Outsourcing to Global South

- Three forms of offshoring
  1. Relocation (overseas factories)
  2. Subcontracting (supply chains)
  3. Labor contracting (direct employment)
Accessing Cheaper Labor by Immigration

- Importing global labor
  - Helps rich countries compete
  - Least threatening to local wages
    - Regional wages not affected by # of immigrants (David Card, UCB)

- Everyone does it
  - Unskilled workers
    - US & EU factories
  - Skilled workers
    - Think Silicon Valley!
II. Global Labor Competition

A. Global Glut
B. Capital Moves
C. •Labor Upgrades
D. A Moving Front
Taking the High Road

- Rich countries have huge advantage
  - *Weep not for the global north*

- Better technology
  - More R&D, more science
  - New products, machines & systems

- Upgrading labor skills
  - Improved ways of working
  - Better education & training

- US model vs. Germany & Japan
Beware of Cheap Arguments

‘Cheap labor’ depends on…
- Labor productivity
- Which depends on….
  - Capital investment
  - Production methods
  - Firm competence

No country rests on cheap labor
- All trying to move up tech ladder
- China is very clear on this

Fallacy of the race to the bottom
- Fool’s strategy
Wage Convergence?

- Declines in global north
  - Largely on the low end
  - Skilled wages still rising

- Gains in the global south
  - Yes, but also labor glut & heavy repression
    - *E.g.*, decline of Mexican wages in 1980s
  - *Labor has to get organized & fight*
    - *Only way that capital will share its gains*
II. Global Labor Competition

A. Global Glut
B. On the Cheap
C. Labor Upgrades
D. •A Moving Front
The Longer View

- Capitalism still expanding
  - Dissolving agriculture, freeing up labor
    - primitive accumulation
  - Industry still spreading outward
    - Geographical industrialization
  - At leading edge, capital gets all
    - Low wages + rising productivity

- Global competition never static
  - Developed countries were once cheap
    - Germany in 19th C., Japan > WW2, etc.
  - China now facing cheaper alternatives
    - Vietnam, Indonesia, Malaysia, India, etc.
Six Challengers to US Since WW2

1. Postwar Europe of 1950s and 60s
   - massive labor surplus from war

2. Japan's Rising Sun of 1960s & 70s
   - Reinvestment, labor management, exports to US

3. Gang of Four in 1970s and 80s
   - Emulating Japan, labor repression, exports

4. Southeast Asia in the 80s & early 90s
   - Japanese investment, pegged currencies

5. Mexico in 80s and 90s
   - Maquiladoras, re-export to US, falling wages

6. China in the 2000s
   - Asian investment & subcontracting, export & internal market, massive labor surplus,
Why Focus on Labor?

- Why doesn’t world economy absorb new labor fast enough?
  - Global capital's poor performance
  - The long slowdown & Great Recession

- What about national decline?
  - Long-term failure of investment
  - Rising costs of health care, education, land, etc.

- Capitalists abandoning ship?
  - Grass is greener elsewhere
  - Multinationals don’t care
Workers of the World

I. Global Labor Markets

II. Why Migration?

III. Global Competition

IV. • Worldwide Struggles
IV. Global Struggles

A. Latin Left
B. Europe in Turmoil
C. Asia on the Move
D. Global Solidarity
Latin American Left Turn

- Economic revival since 1980s
  - Rising wages since 1990s
- Workers power in politics
  - Brazil’s PT & Lula
- Mobilizing the poor
  - Chavez’ ‘Bolivarian revolution’
  - Morales Bolivian turnabout
- Facing down the North
  - Cancun & the G-20
IV. Global Struggles

A. Latin Left
B. •Europe in Turmoil
C. Asia on the Move
D. Global Solidarity
Downward Pressures

- Slow growth & high unemployment
  - Offshoring & slowdown like US
  - Rising pension costs

- Getting around labor standards
  - Eastern Europe & the Social Compact
    - ‘offshoring’ to E. Europe
  - Evasive action & flexible employment
    - French labor regulations mean short-term workers are often preferred
    - World’s largest temp firm is Adecco in France.

- Political push from the Right
  - Berlusconi, Sarkozy, Merkel, Tories
  - Anti-immigrant movement & Fortress Europe
European Austerity & Fight Back

- Greece & Portugal debt
  - Ireland & England bank crises
  - + Spain & Italy next?

- Failures of financial system
  - Austerity solution – anti-Keynes

- Mass opposition
  - Greece, Italy, Britain
IV. Global Struggles

A. Latin Left
B. Europe in Turmoil
C. Asia on the Move
D. Global Solidarity
Korean Class Struggles

- Strike wave of 1987-90
  - Workers & students
  - Ended dictatorship

- Neoliberalism strikes back
  - Crisis of 1997 & liberalization
  - Unions have degenerated
China’s Restless Workers

- Worker strikes of 2010
  - & suicides, protests
- Govt. allows more independent unions
  - Govt fears of unrest & unstable economy without wage growth
- FoxConn using more robots
  - Predict 1M in 3 years!
China’s Wages Rise

- Good for China
  - Workers’ lives improve
  - Bigger domestic market
  - Improvement in technology

- Offshoring from China
Political Progress

- Democratic breakthroughs
  - Taiwan & Korea – mass movements
  - Indonesia & Philippines - fallen dictators
  - Japan - LDP monopoly broken
  - Thailand – Thaksin & Yingluck
  - Burma – generals ease up
  - China – thousands of protests

- Obstacles still great
  - Thai King, Mahathir, CCP, etc.
  - The long road to liberty
    • It does not follow automatically from capitalism
IV. Global Struggles

A. Latin Left
B. Europe in Turmoil
C. Asia on the Move
D. Global Solidarity
International Labor Organization

- Labor’s international body
  - Part of United Nations
  - Sets labor standards
  - Does studies of labor conditions

- Free trade vs. labor
  - No labor standards in WTO, NAFTA, LAFTAs
Hands Across Borders

- Union alliances
- Capitalist change of heart?
  - Is the bloom off off-shoring?