

Chapter Twelve

Labor: Fueling the Global Economy

Introduction

In many important ways the era of contemporary globalization is about labor: who will work on what, where, under what conditions, and for what compensation? As we have indicated in the two introductory chapters of this book, contemporary globalization was triggered in the late 1950s and early 1960s by the movement of capital out of the advanced industrial countries into the developing world. In this shift—which at the time was termed *deindustrialization*—millions of workers were left without work in the older economies, while millions more in the developing countries took on this displaced work in new enterprises at far lower wages. By the early 1980's scholars referred to this change as the structural logic of the *new international division of labor* upon which globalization would be based. (Herod, et. al. 2002) Subsequent decades have accelerated the pace of this relocation, especially of manufacturing, and increasingly of service industries as well, a phenomenon known universally as *outsourcing*, or in a more recent usage *offshoring*.

In this chapter we examine five features of the realignment of labor in contemporary globalization:

- a) The extent of the relocation of manufacturing from developed to developing economies.
- b) Outsourcing in the contemporary global economy.
- c) The links between labor growth, labor transformation, and patterns of urbanization.
- d) Global labor restructuring seen as a *race to the bottom* in which lower wage countries continually undercut wages in other countries, leading to a world-wide decline in wages.
- e) Additional shifts in global labor forces stimulated by demographic and economic conditions, especially the rapid aging of populations in the mature economic countries, and their need to import labor to maintain their manufacturing and service sectors.

All of these elements of the globalization of labor have been discussed briefly or alluded to in previous chapters. In this chapter we discuss these five themes in greater detail.

Relocating Manufacturing

In the immediate post WW-II decades, capital began to flow rapidly from the older industrial countries of Europe and North America into what was then viewed as parts of the *Third World*, namely non-socialist countries in Latin America and Asia. Often taking the form of *foreign direct investment (FDI)*, private capital sought to make use of abundant and often well-educated labor

forces that could create quality manufactured goods to sell at lower prices and high profit in the markets of developed countries. Cheap transportation was a key element in developing this relocation of labor. Large jet aircraft (especially the Boeing 747), containerized shipping, supertanker oil carriers, and low cost petroleum made transporting inexpensive for goods from these distant production sites possible, simultaneously making the relocation of labor to developing countries all the more profitable. The rebuilding of Japan as an industrial giant along with the development in the four “Asian Tiger” economies of Korea, Singapore, Taiwan, and Hong Kong led manufacturing relocation in the period 1960-1990, an era which saw spectacular economic growth in these countries. This model of translating labor and capital into export-oriented goods was followed in part by another set of countries, also sometimes labeled “tigers”: Indonesia, Thailand, Malaysia. The Philippines sometimes finds a place on this list, although economic growth in the Philippines has been stagnant over the past two decades compared with growth in the leading Southeast Asian economies.¹ After the liberalization of the Chinese economy through the reforms of Chairman Deng Xiaoping in 1987, China has made stunning economic progress, posting annual economic growth rates in excess of 8 percent, and often reaching as high as 10 percent.

A parallel process triggered wide-spread, if highly uneven development throughout Mexico, Central America, and South America. Some nations such as Brazil and Chile would develop complex economies that became significant players in the global economy. Others such as Mexico and the Dominican Republic became labor intensive “nodes” notable as “assembly platforms” for global manufacture. Their assembled goods – ranging from clothing to cars -- are exported back into the global economy as finished products. Under the North American Free Trade Agreement (NAFTA), Mexico has been the primary model of this relationship with the U.S. economy. The thousands of so-called *Maquiladoras* companies located near the US-Mexican border and further south in the city of Monterey represent a less integrated form of capital relocation than we see in Asia, having regional impact within Mexico but lesser effects on the society as a whole.

Global manufacturing relocations have transformed the economics and economies of advanced industrial nations—largely the OECD (industrialized) countries--by reducing the proportion of their economies devoted to manufacturing. In contrast, investment in developing economies has led to more manufactured products in their own domestic economies and significant growth in their manufactured exports. Thus, when we seek to describe these changes, we can examine three sets of data: (1) the percentage of an economy devoted to manufacture (Table 12-1); (2) the relative growth of various economies over a given period of time (Table 12-2); and (3) the relative role played by exports across various economies. With respect to exports, globalization has also led industrialized countries to significant growth in exporting services. Table 12-1 illustrates the first point (1) by comparing employment shifts in OECD economies

with those of Singapore during a critical period of global economic restructuring. As for the relative growth of major economies in Table 12-2, note in particular the relatively spectacular growth of the global economy as a whole from 1950 to 1998, increasing from an aggregate size of \$5.7 trillion to \$33.7 trillion in approximately fifty years. The figures underscore the point that during the period of contemporary globalization, the growth of the world economy has been unprecedented. (This growth has continued into 2006 with a global GDP of \$48.6 Trillion. The US credit crisis of 2008 and the growing global recession will bring new dynamics to the picture we are sketching in this chapter.) We also make the point, explored in other chapters, and suggested by this table, that this growth has been profoundly mal-distributed.

To understand the transformation in the economic history of China, we can note the *decline* in Gross Domestic Product from 1913 to 1950, and then China's astonishing increase from \$239 billion to \$3.9 trillion during the period 1950-1998 (Maddison, 2001). Table 12-3 allows us to see that despite the significant shifts in global manufacturing and service production from the advanced to the developing economies, the overwhelming bulk of global export of goods and services remains with the advanced economies, although the relative size is growing. If we break out the data (from the same IMF source) a bit farther to look at the relative roles of China and India, we can observe that of the 44.5 percent share of GDP and 25.4 percent share of exports of goods and services, China accounts for 28.3% of the GDP share and 19.8% of export share; India accounts for 12.9% of the GDP share and 3.7% of the export share. (IMF, 2004a, p. 5)

Table 12-1 Employment Sector Shifts in OECD Countries

Industry	Change in Number (000)		Percent Change	
	Singapore	OECD Countries	Singapore	OECD Countries
Total	503	35,940	46.8	15.5
Manufacturing	112	-1,646	34.6	-2.9
Construction	32	1,339	45.1	7.4
Commerce	128	9,9093	55.9	20.1
Services	244	31,404	57.6	34.6
Transport & Communications	39	2,157	32.3	16.1
Finance & Business	87	9,731	104.0	62.4
Community, Social and Personal	118	19,515	53.6	31.6

Source: Kheng and Lee, 1996

Table 12-2 Relative Growth of Major World Economies

World GDP Selected Countries/Regions (million 1990 \$)					
Country/Region	1870	1913	1950	1973	1998

Total Western Europe	370,223	960,374	1,401,551	4,133,780	6,960,616
Eastern Europe	45,448	121,559	185,023	550,757	660,861
United States and Western Offshoots	112,155	585,632	1,635,490	4,058,289	8,456,135
Latin America	27,897	121,681	423,556	1,397,700	2,941,610
Japan	25,393	71,653	160,966	1,242,932	2,581,576
China	189,740	241,344	239,903	740,048	3,873,352
India	134,882	204,241	222,222	494,832	1,702,712
Other Asia	72,173	146,699	362,578	1,398,587	4,376,931
Africa	40,172	72,948	194,569	592,185	1,039,408
World	1,101,369	2,704,782	5,336,101	16,059,180	33,725,635

(Source, Maddison, 2001, p. 261)

Table 12-3 Share of GDP, Exports of Goods and Services and World Population

Share of GDP, Exports of Goods and Services and World Population—Selected Countries 2003			
Country	% Share of World GDP	% Share of World Export Goods and Services	% Share of World Population
Advanced Economies	55.5	74.6	15.4
United States	21.1	11.0	4.7
Euro Area	15.9	33.3	4.9
Japan	7.0	7.6	2.1
United Kingdom	3.2	4.7	1.0
Canada	1.9	3.6	0.5
Other Advanced Economies	11.6	30.1	4.0
Other Emerging Market and Developing Economies	44.5	25.4	84.6
Russia	2.6	1.6	2.3
Developing Asia	23.8	10.1	52.4
China	12.6	5.0	20.8
India	5.7	0.9	17.2

Source: International Monetary Fund, 2004

Outsourcing:

Outsourcing has many variations. In its essential form a company in one country engages a firm in another country to perform an activity it previously did for itself, at lesser costs—usually at significantly lesser costs. Parts of an eventual product

or the entire finished product, for example, a flat screen for a computer, began to replace those made in the original country of production. Four decades of such parts outsourcing has led to the fundamental decline of manufacturing in the older industrial countries, as the finished product can often be made cheaper and better in the developing country.

It is important to recognize that the outsourcing (also called *offshoring*) of manufacturing involved more than just the relocation of capital from one set of countries to another, or the availability of cheaper labor in the developing countries. For outsourcing to work, the country where the work was to be done needed to have a set of capabilities that would make the relocation of capital and work attractive to those controlling them. A representative (but not exclusive) list of such capabilities would include:

- 1) A capable population available at competitively desirable wage rates for the labor involved.² In the early days of substantial outsourcing of manufacturing, firms making such relocations created “process engineering” that allowed relatively low skilled and moderately educated work forces to produce complex products that could succeed in globally competitive markets (Neubauer, 2001). By substituting design and technology for the education levels of workers, these processes effectively overcame the so-called *education gap* that then existed between populations in the advanced economic countries and those of the developing ones. This technological forward leap spurred much of the offshoring of the information industry in its early period.

Subsequently, as we have observed in other chapters, outsourcing has come to span a vast range of goods and services, leading to the familiar notion that if something can be digitized, it can be outsourced. The range of things that are outsourced from one economy to another is truly dazzling -- from aircraft parts, to super computer components, to surgical x-rays, to college and university courses. In effect, globalization has led to a vast expansion of what economists call *comparative advantage* – that is, within the limits of their productive capabilities, countries produce and trade goods in ways that work to the mutual advantage of each. That *advantage* is commonly defined as consumers receiving goods and services with the best price and quality, and producers enjoying the highest return on their investments of capital. As globalization presently demonstrates, labor unfortunately has less control over its role and rewards in this system, nor does the system protect the environments of developing countries. The infinite variety of goods and services produced via the interdependence of the global economy means that few countries now make their own “stuff” any more. Consumers now rely on a globalized system of comparative advantage to lead goods and services to be produced and/or transported from wherever capital finds the cheapest labor and most favorable treatment from governments. As one thinks about globalization and a process of increasing interdependence, it becomes clear that the dependence side of things can grow very complicated, as the United States has discovered in recent years

with various “scares” created by breakdowns in food safety for products imported from China, and as the rest of the world has discovered with securitized mortgages originating from the American economy. When systems are as tightly linked as the global economic system now is, disruptions in one part of the system can be clearly broadcast to another.

Mobility is another feature of the global economy that imparts uncertainty to it. The larger an economy gets, the richer it gets, the more things it produces, the more those who invest and manage capital can gain from the discovery, mobilization, and use of inexpensive labor. But the logic of globalization also indicates that things constantly change, and that production can quickly move elsewhere. The more a country supplying outsourced, mobilized labor develops its own capital, the more likely it is to develop its own more affluent market society supported by increasing incomes — all of which in turn tends to bid up labor costs and lessen its ability to compete globally. In effect, a country’s success in the global economy can leave it less able to sustain its place in a given market. This situation was typical of Korea in the 1970s and 1980s, as many of the products intended for the global market tended to be priced too high as labor costs grew. Korea was forced to develop its capacity to generate higher value products—making greater use of technology in its production—as well as to shift from an export focused economy to one that has also significantly also served its domestic economy.

Economists debate the specific role that technology plays in promoting this growth and in controlling wage growth, but the direction of these developments is clear because the supply of inexpensive labor, while large, may not be inexhaustible. Wallerstein argued in the 1980s that the global system of labor needed to be seen as essentially finite. In the early stages of development through globalization countries with significant surplus labor enjoy a comparative labor advantage, but as these workers are themselves drawn into the consumption economies of their countries, these consumption needs produce upward pressure on wages, etc. (Wallerstein, 1984).

The total aggregate effect of outsourcing is difficult to estimate. The relative toll it takes on manufacturing in the advanced economies can be estimated by the impact of outsourcing on the U.S. For example, a detailed study in the US of the first quarter of 2001 indicated annual production shifts to Mexico and China, with a shift of 85,000 jobs to each. Over all, 204,000 production jobs left the US. By 2004, those numbers had approximately doubled with 406,000 production jobs leaving the economy, with gains of 140,000 to Mexico, 99,000 to China and 47,000 to India (Bronfenbrenner and Luce, 2004). As service jobs have become more susceptible to outsourcing, the overall impact on the developed economies has increased.

Nonetheless, an examination of the phenomenon in detail suggests further the complex economic trade-offs involved in outsourcing or offshoring. The example

of computer hard drives is instructive. As Gereffi documents, jobs in the U.S. hard drive industry migrated to Southeast Asia over a twenty-year period, resulting by the mid 1980's in over 80 percent of hard drive production jobs being located outside the U.S. The hard drive design business, however, remained largely in the U.S. along with its higher paid engineer-dominated jobs. As a result U.S. workers, while accounting for only 20 percent of the jobs, received 80 percent of wages; in contrast, Southeast Asian workers, who now constituted 80 percent of the workers in the industry, received only 20 percent of wages (Gereffi, 2005).

Such labor shifts set off debates about offshoring, especially when offshoring is combined with the huge *global buyers* who serve as primary market outlets for outsourced production. These retailers include the giant discount chains (e.g., Walmart), department stores, supermarkets, and brand marketers.³ As offshoring jobs are lost to countries with less expensive labor, nations such as the U.S. must supply unemployment support, job retraining for displaced American workers, and federal takeover of employee pension deficits as U.S. companies go bankrupt. Whole communities suffer economic collapse, losing their tax base. On the other hand, the profits that return to firms located in the so-called *sending economies* are viewed as providing social benefits via more employment and taxes on corporate profits. In addition, in these sending countries, the profits themselves stimulate new business investment, produce less expensive consumer goods, and in some cases raise the standard of living. This situation is further complicated when a given country engages in offshoring to its own subsidiary established in another country. In this case end of cycle profits remain with the company, although it may be reluctant to "repatriate" them back to the U.S. where they may be taxed at a higher rate than in the actual country of production. Within the U.S. this situation has produced a debate on whether corporate tax rates should be cut to encourage the repatriation of such profits, which can then act as capital to the U.S. economy.

The controversy over jobs lost to *outsourcing* and *offshoring* currently holds the attention of the U.S. Congress, where increasingly voices address the decline of *good* jobs that have traditionally sustained the middle-class and upper-working class. In this view the U.S. economy is becoming polarized between job creation at the higher end of service and production complexity -- jobs that are more highly paid -- and the proliferation of mainly low paying service level jobs. This ongoing transformation of labor in the US leads to arguments saying that offshoring contributes to increasing income disparities in the US, and overall to a process that is shrinking the American middle class. This issue has become a major issue of contention in the U.S. election of 2008, with both candidates making the repeated assertion that ways must be found to create new, stable jobs in the country that will benefit middle class workers. Alternative energy is often held out as such a target of investment.

Contrasting arguments abound. Some suggest that despite the number of jobs leaving an economy, concerns about offshoring are exaggerated. They claim that especially in the service sector, it is primarily IT jobs that are affected. Because of incomplete data on the offshoring of services, it is difficult to determine what they may suggest. For example, one of the more comprehensive studies, done by the McKinsey Global Institute in 2005, found that offshoring of services was generally beneficial to the U.S. economy and has had a far less negative effect than the offshoring of manufacturing. By its estimate, only 11 percent or about 130 million of the 1.46 billion global service jobs could be offshored, and in reality a far smaller number would actually move offshore (McKinsey Global Institute 2005). Within the political debates currently swirling around this issue, the magnitude of these numbers, especially for economies that have already lost millions of jobs to offshoring, is far from reassuring.

In the conclusion of this chapter, we will return to the question of how outsourcing or offshoring is meant to benefit various actors throughout the global economy.⁴

Labor Relocation and Patterns of Urbanization

As we have discussed in several places, most particularly in the chapter on urbanization and inequality, the primary “driver” of rapid urbanization in this period of contemporary globalization has been the movement of peoples into cities in search of jobs. Countries outside the older advanced economies have spurred this movement by the creation of export processing zones (EPZs) within which much of the assembly work of global production is accomplished. These zones were established as early as the 1960’s to “attract foreign investment, boost employment, increase exports, and generate foreign exchange by providing factories, modern infrastructure, and streamlined administrative procedures,” a kind of one-stop shopping for global production. The global expansion of EPZs has been rapid and extensive. The numbers increased from 75 in 1975 to 845 in 1997 to 3000 in 2002. In 1997 22.5 million were employed within such zones; in 2002 that number had grown to 43 million. 116 countries had established EPZs by 2002 (Gereffi, 2005, and ILO 2002). Table 12-4 provides some representative data on net labor migrations among several labor countries in Asia.

Obviously, the EPZs are not the only stimulus that draws people toward urban areas. As we discuss in other chapters, changing global weather patterns (particularly desertification) and markets transformed by global demand and technology have destroyed the way of life for millions of rural residents who continue to move to cities in search of jobs. The increasing extension of cash and market economies into regions that had for centuries functioned as subsistence economies also makes it necessary for those leaving farming to relocate where cash incomes are more readily available than within traditional rural settlements.

Table 12-4

Migrants in Labor Importing-Countries in Asia, 2000						
Country	National labor force (thousands)	Foreign population (thousands)	Total migrant workers (thousands)	Legal migrant workers (thousands)	Migrant worker share of national labor force (percent)	Migrant workers with legal status (percent)
Total	149,170	6,550	4,824	3,508	3	73
Hong Kong	3,380	400	300	235	9	78
Japan	68,000	1,700	670	420	1	63
South Korea	22,000	350	310	95	1	31
Malaysia	9,600	1,500	1,239	789	13	64
Taiwan	10,000	350	345	329	3	96
Thailand	34,000	1,250	1,000	700	3	70
Singapore	2,190	1,000	960	940	44	98

Source: Government data and estimates summarized in *Migration News, various issues*

The American urbanologist Saskia Sassen has studied the “global cities” that have emerged at the core of the contemporary global economy, and has concluded that migration is essential to the creation and maintenance of these cities. Cities such as Guangzhou, Bangkok, New York, Bangalore, and London, operate as central “nodes” in the financial and capital network of globalization. High-end workers migrate to occupy and manage the key institutions of finance, exchange, and governance in these cities. Lower end workers migrate there as well to supply the support services that range from the cleaning of offices to working in the thousands of restaurants that populate such cities, to the small commercial outlets that grow up to serve these new migrant communities (Sassen, 2003). Both of these populations are part of the *new* labor mixes of global cities. Each produces a distinct pattern of labor recruitment, usage, service, housing, transportation, spending, etc. As we seek to comprehend how labor movement is creating and changing modern cities, we can be mindful of these complex, inter-related circuits of labor within the emerging global city.

The Race to the Bottom

A significant number of commentators see the global relocation of manufacturing and services as driving down global wage rates, a process that is sometimes called the *race to the bottom*. In a major commentary on globalization in the late 1990's, William Grieder argued that three decades of globalization showed that the mobility of capital had disrupted income distribution throughout the world; it had separated a swelling number of have-nots from a much smaller number of haves (Grieder, 1997). Others have used the phrase *race to the bottom* in a somewhat different way: to refer to TNCs moving across global political and economic lines and national jurisdictions, producing a competition among nations

for TNC capital, which then is used to employ large numbers of people at progressively lower wages. As wages drop, social conditions descend as well. In contrast, however, still other observers note a different kind of race *toward* the bottom, the positive impact of globalization on lowering the prices of goods and services.

Illustratively, Brecher and Costello argue:

In a competitive market, sales generally go to the competitor who offers the lowest price. As a result, prices tend toward the level of the lowest cost producer. When this tendency lowers the price of goods and services through the improved efficiency touted by the advocates of free-market forces, the effect may be benign. But when corporations and governments lower costs by reducing environmental protection, wages, salaries, health care, and education, the result can be malignant—a "downward leveling" of environmental, labor, and social conditions (Brecher and Costello, 1994).

Current public policy debates in various advanced economic countries focus on this issue, although not always in the specific language of *the race to the bottom*. In our chapter on economics, for example, we make reference to the current plight of U.S. automobile manufacturers who argue that maintaining the health care and pension benefit programs of workers in the U.S. adds such a large cost to production that their vehicles cannot compete in many global or regional markets. Consequently U.S. automakers GM and Ford lay off or buy out workers, move parts production overseas, sell off company divisions, see their stock prices drop, and attempt to get the U.S. government's Pension Benefit Guaranty Fund to take over company pension obligations. Unless this trend reverses, a case might be made that this pattern operates as a corporate race to the bottom.

This phenomenon repeats across the U.S. economy and is described as a barrier to effective U.S. competition in global markets. As U.S. corporations have restructured in response to globalization, the numbers of good jobs (meaning well paying jobs in manufacturing, often unionized) available in the economy has dropped significantly. Increasingly, more American workers cannot find themselves jobs that offer a sufficient return to raise a family. Consequently they need several members working, or characteristically the primary wage earner holds several jobs simultaneously. When compared with their counterparts in other advanced economies, Americans are now viewed as "working harder" (meaning longer hours) with fewer employment derived benefits. For example, American workers have approximately one half the vacation time of their European counterparts. Moreover, the U.S. has a larger portion of its population without health care than any other advanced economic society (currently about 48 millions.)

Within developing countries these changes in labor, income distribution, and corporate competitive balance are experienced differently. Early into a

development cycle, capital flows into a society and is organized around marshalling lower wages into production processes. A great many individuals experience this stage of development as having new opportunities to enter a wage/job structure that rewards them. No one disputes that the creation of new jobs where previously there were none is not a benefit to the society receiving them. The crux of the argument about *the race to the bottom* becomes apparent when organized corporate capital controls labor in later stages. Typically, labor is relatively unprotected, subject to being exploited. As labor becomes scarce and the wages in a given country rise, firms tend to relocate to another labor environment where this cycle can be repeated. As capital moves to another low wage country, the global mobility of capital in relation to labor distributes the misery of exploitation throughout the globe. As they compete for more capital investment, governments offer investors incentives by refusing to create effective regulatory systems to improve and protect worker's rights, their health, and the environment. In other chapters we have discussed other patterns of exploiting labor—particularly the labor of women, children, and individuals who are trafficked as part of what is now called *modern slavery*.⁵ The various forms of exploiting labor and the flow of labor toward capital have become prominent features of the overall phenomenon of globalization and the movement of capital.

Global Dynamics in Labor Shifts

In our chapter on health we discuss the significant relocation taking place throughout the world of healthcare workers. Essentially, as the populations of the advanced economies age, caring for them places greater strain on healthcare and related care systems. Insufficient labor exists in these societies to staff this expanding care sector of their economies. Shortages in nursing are especially critical. The global effect is for these mature economies to create significant *demand pull* that attracts health care workers from the rest of the world. The aggregate result is an enormous maldistribution of healthcare workers, especially in the sending countries. In some of these countries wages remain comparatively low and other conditions such as the HIV/AIDS epidemic negatively impact such workers. Overall, this is yet another instance of the rich getting richer and the poor poorer. And, these dynamics persist despite changes in the supply of labor in both the advanced and the developing economies. Worldwide a shortage of over four million healthcare workers exists currently and is expected to increase (Joint Learning Initiative, 2004). The implications of such a shortage are clear. If the dynamics of contemporary globalization persist in their basic form, global labor shifts will continue to bring workers from the developing world into the rapidly aging, low-birth rate, developed world.

Mike Douglass, a noted urban global scholar, has recently begun to argue for a yet different way to discuss globalization and labor. We might view contemporary globalization as having two labor periods. In the first jobs shifted out of the more advanced economic countries into the developing world. In the second, demand pull has brought significant labor into the developed countries largely to fill job

opportunities at the low end of the wage scale that domestic workers prove unwilling to compete for. Research on this phenomenon, including that cited in this chapter, has tended to be anchored in two conceptual sites. One has focused primarily on labor sent from one physical location to another. The second has continued to use the family, anchored in a physical location, as the basis of analysis.

Douglass has advanced the concept of *global householding*, in which he asks the question of how social arrangements have been transformed to relocate the family, and presumptively the household, away from its original domicile.

“...global householding is viewed as the interactive processes of forming and sustaining the household through global transactions. From a global household perspective, transnational population movement is only partially motivated by and manifested in work and income opportunities. Marriage, bearing, raising and educating children, and caring for the elderly are among the new motives for transnational movements and linkages among people, and all are integral to householding. From a societal level, global householding is also a response to collapsing population growth below replacement, severe labor shortages, rising dependency ratios, welfare systems going broke, and rapidly aging societies” (Douglass 2006).

These distinctions signal important shifts taking place in the social vector that work and the family have historically defined. People throughout the world make critically important choices about where and how they will work, where and how they will educate and train for work, with whom they will mate and reproduce, and how the rewards of their labor will be distributed. Because an increasing number of people must make these decisions in a global context, some of them act to preserve the family through the creation of a household that extends beyond national boundaries, often beyond the language, and beyond the cultural and social norms that define a particular family. A familiar part of this pattern appears in the decision of where to seek higher education. Throughout Asia, these decisions involve gaining education abroad, presumably to acquire a set of experiences (and often a “brand” for the degree(s) achieved) that will translate into favorable employment. Douglass, for example, cites these trends in Taiwan, Korea, and China. In the latter the Ministry of Education reported in 2002 that 460,000 Chinese have studied in 102 countries and regions, 150,000 of them in the U.S. The effect of such practices is reciprocal: at prestigious universities such as MIT in the U.S. as many as 70 percent of its graduate students may come from abroad (Douglass, 2006, p. 10).

Global householding is but one emerging concept that better allows us to describe and analyze how global labor is transforming and is being transformed by the complex dynamics of contemporary globalization. *The new global division of labor* referred to in Europe and North America in the 1980s, has in this generation become a routine and accepted phenomenon. Labor is inseparably

part of the global network system and fuels the mobility of labor for both documented and undocumented workers on all continents.

Sassen's work focuses on how these global relationships of labor, capital, and movement are central to an understanding of contemporary globalization and the political economy that creates and reproduces it.

The new global political economy is not simply a function of power, nor is it simply the result of an immanent tendency in capitalism toward imperialism. The new global structures need to be produced, implemented, serviced, debugged...one of the strategic working structures enabling the formation of a global political economy is the network of global cities. This network is a strategic infrastructure enabling the production and servicing of components crucial for the constituting of global corporate capital... this network is a key structure for social reproduction, both in a narrow sense—its elites and cadres need to live—and a broader sense—the materializing of global corporate capital as a social force (Sassen, 2003, p. 1).

Summary and Conclusions

Contemporary globalization has been primarily oriented around the relocations of capital and labor over the past four decades from the developed to the developing world. The initial stage of manufacturing relocation has been followed by a substantial relocation of services as well. These phenomena, variously termed outsourcing or offshoring, come to characterize elements of the production and distribution chain of globalization in which increasing numbers of countries relocate production to one or another country. The impacts on global labor are numerous and complex as various types of jobs develop and recede through progressive stages of economic development. Perhaps the most direct and immediately visible impacts of these transformations are evident in the explosive expansion and growth of global cities. The concentration of jobs in urban settings and the rapid extension of a goods and cash economy act as a powerful pull to attract people from rural settings, leading to considerable changes in the nature of rural life throughout the planet.

These dynamics of labor relocation have created complex patterns of work and investment that some analysts view as a race to the bottom in which the mobility of capital and its relative advantage in various country settings allows it to move production to labor markets with lower labor costs. Viewed as a system-wide dynamic, this relentless search for cheaper labor costs provides trade offs in which workers in higher labor cost countries are likely to lose jobs, those in developing countries gain jobs, consumers in global trade have more inexpensive goods available to them, and increased profits accrue to capital. Those concerned with the race to the bottom see the nature of the negative

dislocations involved as not being fully compensated by the gains provided elsewhere in the system.

Finally, examining patterns of labor mobility and application within contemporary globalization alerts us to even more profound changes taking place within societies as entire “ways of life” are altered by the movement of peoples through the global labor force. A new concept, global householding, appears a useful tool for analysis as it focuses on the new and extended networks that are represented by the *household* as it becomes extended throughout global time and space. Functions and activities that we have historically viewed as located within the family and *local* settings, such as marriage, reproduction, child rearing, education and health care, increasingly take place through such network. Taken together and viewed from the lens of global householding, we as students of globalization, can be alerted to yet other dimensions of the significant changes taking place as a result.

For Further Study: An exploration of some of the immigration links of the global labor dynamics touched on in this chapter and one aspect of global householding can be reviewed by this brief video created by Full Focus, a program of San Diego Public Television

Available at:

<http://video.google.com/videosearch?q=world+labor+dynamics&hl=en&emb=0&aq=f - q=world labor dynamics&hl=en&emb=0&aq=f&start=10>

Tom Douglas in a short article explores the volatile nature of global business relocation and explores how overall global economic dynamics affect local communities. In this instance the city undergoing transformation is Austin, Texas and the global company is Dell computing. See, “Are Dell’s Cost-Cutting Measures Taking Austin from Boomtown to Bust?” available at:

<http://www.brighthub.com/computing/windows-platform/articles/1591.aspx>

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Endnotes to Chapter Twelve

¹ This "tiger" label refers to a dynamic, rapidly growing, export-oriented economy, and has been applied outside of Asia as well, more recently to Ireland (the "Celtic tiger"), Estonia (the "Baltic Tiger") and Chile (the "Latin American Tiger".) (Reference.com 2006)

² In the earlier days of globalization those investing in developing countries demanded relatively safe systems for capital transfer and use, and the availability of physical infrastructure. TNC's

famously demanded of receiving governments that such elements not only be present, but that the receiving country pay for some of them, as well as exempt the TNC from wide varieties of local and national taxes. TNC's still play the game of threatening to leave one national environment for another if such conditions are not met, threats that were more viable in the early days of globalization when the overall availability of countries with surplus cheap labor was larger.

³ Gereffi points out that brand manufacturers are sometimes called *manufacturers without factories* in recognition that their goods are manufactured on contract within networks of differentiated suppliers. In the earlier days of outsourcing, these brand marketers were often cited as examples of *virtual corporations*, meaning that capital aggregation, design, and marketing were housed in a corporate structure separate from the actual manufacture of goods, a model of production very widely used in clothing and accessories manufacture. (Gereffi, 2005)

⁴ The logic of outsourcing is economically compelling for global firms that view their decision-making as driven by a large set of cost factors, especially with respect to the price they pay for labor. American Airlines in the United States, for example, has had a long and difficult history with its mechanics, who are organized in a union that over the years developed a characteristically hostile union/management relationship, punctuated by frequent strikes during periods of contract renewal. At a critical point in 2004 when American faced bankruptcy, a new relationship was formed between the union and management to create an authentic partnership in which union members would participate in shop floor decisions. Production zoomed and costs dropped over the next two years. American came to see that its mechanics union represented a huge investment in human capital that had been under-utilized in the old model. The corporation has recently moved to insource work from Latin America, an action made possible by the new economies gained from more effective productivity on aircraft overhaul, which can now be done more cheaply by various Latin American airlines than at their own facilities. This example demonstrates that it is not wage rates alone that determine outsourcing, but a range of factors that contribute to the famous "bottom line" of corporate profitability. (NPR, 2006)

⁵ The U.S. Department of State sees this phenomenon very much as slavery: "As unimaginable as it seems, slavery and bondage still persist in the early 21st century. Millions of people around the world still suffer in silence in slave-like situations of forced labor and commercial sexual exploitation from which they cannot free themselves. Trafficking in persons is one of the greatest human rights challenges of our time."

[U.S. State Department 2003]