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Globalization

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Globalization

Abstract

[Excerpt] While the chapters in the previous section examined employment relations in different national contexts, in this chapter we focus on employment relations in the international or global context. We begin by outlining different perspectives on globalization and examine how globalization has evolved over time. Based on this discussion, we provide a definition of globalization which best accounts for contemporary patterns of global interdependence. We then provide a brief overview of the arguments for and against globalization and discuss the implications that economic globalization presents for employment relations.

Keywords

globalization, employment relations, global interdependence

Disciplines

International Business | International Economics | Labor Relations

Comments

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Globalization

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Introduction

Although the term 'globalization' has been used in a variety of ways to refer to a variety of different phenomena, underlying most definitions is the growing distribution and integration of economic activities across national (and increasingly, firm) boundaries which have resulted, at least in part, from reductions in barriers to trade and investment and advances in technology.¹ Figures 20.1 and 20.2 show significant gross trade flows between major regions in 1995 and 2005 and illustrate the increasing fragmentation of production and integration of countries brought about through globalization. The size of the arrows in each diagram reflects the relative size of exports and each is shaded according to their domestic value-added content. From 1995 to 2005, we see a considerable increase in gross trade flows, the most notable being between China and all other major regions, as well as a decline in the domestic content of export flows.

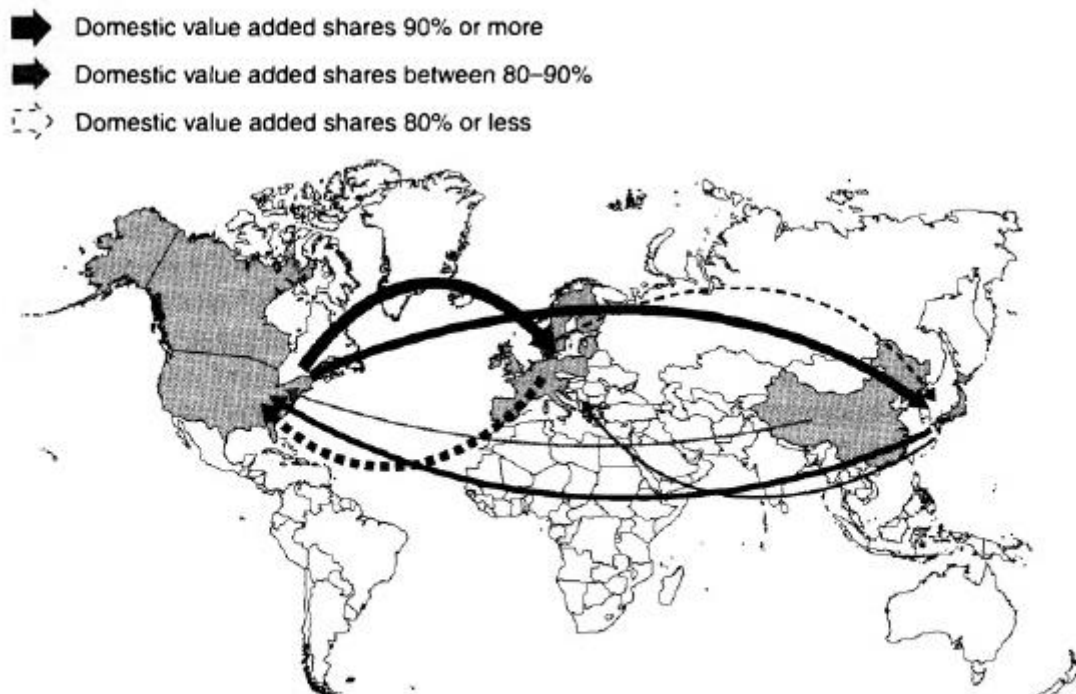


Figure 20.1 Trade flows between major regions, 1995.

Source: OECD-WTO (2012).

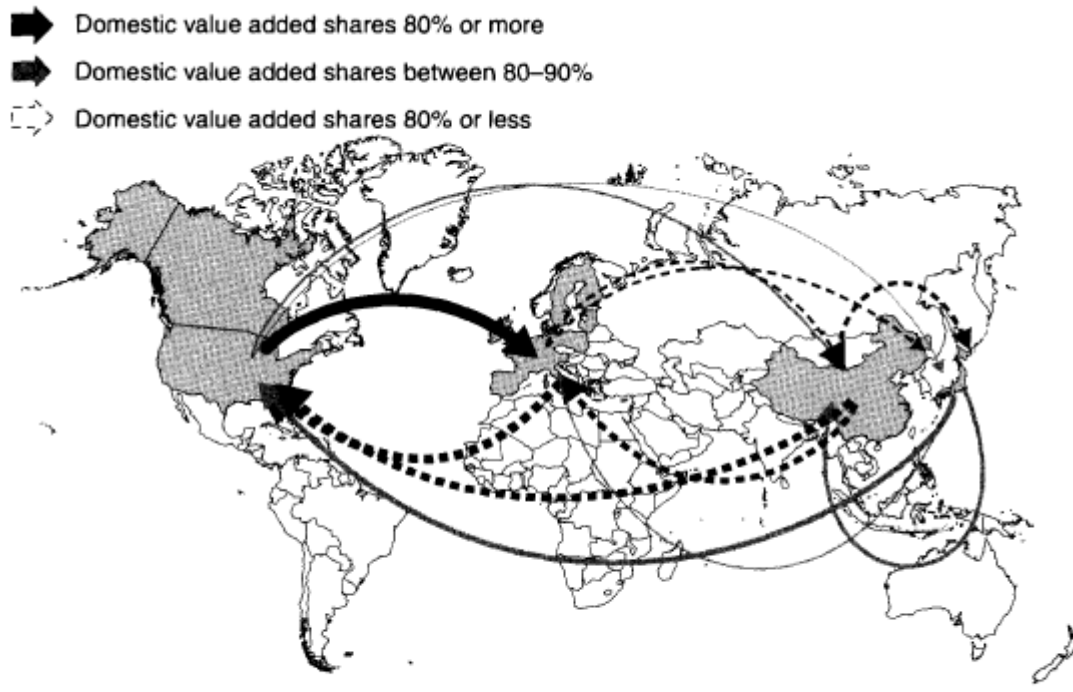


Figure 20.2 Trade flows between major regions, 2005.

Source: OECD-WTO (2012).

These diagrams demonstrate the increasingly interconnected and interdependent nature of the global economy. Globalization has increased the volume and variety of international production, trade and investment. Today, goods and services are no longer primarily produced within individual firms and countries but rather through complex global networks that integrate firms from developed and developing economies alike. This, in turn, has implications for both the theory and practice of employment relations and labour regulation.

While the chapters in the previous section examined employment relations in different national contexts, in this chapter we focus on employment relations in the international or *global* context. We begin by outlining different perspectives on globalization and examine how globalization has evolved over time. Based on this discussion, we provide a definition of globalization which best accounts for contemporary patterns of global interdependence. We then provide a brief overview of the arguments for and against globalization and discuss the implications that economic globalization presents for employment relations.

Perspectives on globalization and its evolution

In the book *Global Transformations*, Held and colleagues (2004) identify three perspectives on globalization: (1) the hyperglobalist perspective; (2) the sceptical perspective; and (3) the transformationalist perspective. According to the hyperglobalist perspective, globalization reflects a new era, characterized by the declining relevance and authority of nation states and the emergence of a 'borderless world' (ibid.). Globalization is seen as leading to a new world order - one that involves institutions of supranational (regional and global) governance and cultural diffusion. Hyperglobalists are found at both ends of the political spectrum. To the right are neo-liberals (or 'pro-globalizers'), who embrace free markets and argue that in the long run, the benefits of globalization far outweigh the costs. To the left are neo-Marxists (or 'anti-globalizers'), who argue that the new international division of labour will only create and reinforce existing inequalities within and between countries (for a summary of these positions, see Dicken 2011). Nevertheless,

hyperglobalists on both sides share the belief that globalization is resulting in an increasingly integrated and boundaryless global economy.

In contrast, those falling under the sceptical perspective reject the notion of a unified global market and question what is new about contemporary levels of global economic interdependence (e.g. Hirst and Thompson 1999). Using empirical evidence on historical international trade and investment flows, sceptics argue that the world economy is less integrated today than in the past. Moreover, sceptics argue that hyperglobalists underestimate the power of national governments and their role in facilitating internationalization. Sceptics view globalization and global corporations as myths, arguing that international economic activity is concentrated in Organization for Economic Co-operation and Development (OECD) states and that multinational firms continue to be firmly rooted in their home countries and regions. They further reject notions of global culture and global governance and, with regards to the latter in particular, argue that continuing patterns of global inequality provide evidence that any such structures serve to benefit the neo-liberal strategies of the most powerful states.

The transformationalist perspective presents what might be viewed as a middle ground between the hyperglobalists and the sceptics. In this perspective, globalization is seen as a long-term historical process that has resulted in significant social, political and economic changes (Held *et al.* 2004). Transformationalists note that that, while the impacts of globalization have spread unevenly and the future trajectory is unknown, it is clear that contemporary patterns of global integration are considerably different than those of years past. Specifically, transformationalists argue that economic activity is increasingly *global* in nature, integrating communities all over the world. At the same time, contemporary globalization is reconfiguring the roles of national governments. While acknowledging the continuing importance of nation states, particularly with regards to development, transformationalists argue that national governments are no longer the only forms of governance in the world economy, as globalization has also brought forth supra-territorial forms of economic and political organization including transnational corporations, social movements and international agencies.

Consistent with the transformationalist perspective, and in response to challenges by sceptics on quantitative grounds, Dicken (2011) argues that processes of globalization in the last half of the twentieth century have been *qualitatively* different than in the past, reflecting changes in the structure of global economic integration. He argues that earlier forms of global integration were 'shallow' and took place primarily through arm's length international trade and investment. In contrast, contemporary global integration is 'deep' and occurs mainly via intra- and inter-firm global production and service networks. In support of this analysis, empirical evidence indicates that there has been substantial growth in foreign direct investment (FDI) and in fact, the growth of FDI has, for the most part, outpaced the fast growth of international trade in the last few decades (Jensen 2006, and see Figure 20.3). Dicken (2011) argues that these trends reflect the changing nature of interconnectedness in the world economy, with a shift from trade (the heart of historical global integration) to FDI. Moreover, Jensen (2006) notes that FDI may be a key factor driving the growth of world trade as trade increasingly takes place through transnational corporations (TNCs) in the form of intra-firm trade (e.g. from one part of the firm to another, typically across borders). Some have estimated that intra-firm trade accounts for 30 per cent of world trade (Markusen 1995). In the United States, intra-firm trade accounted for 48 per cent of US goods imports and 30 per cent of US goods exports in 2009 and 22 per cent of US private services imports and 26 per cent of US private services exports in 2008, with evidence that the share of intra-firm trade in services has been increasing over time (Lanz and Miroudot 2011). Concurrently, there is also ample anecdotal and case study evidence which shows that the number and types of inter-firm connections between TNCs and foreign ('supplier') firms are growing as supplier firms all over the world are incorporated into global value chains (Gereffi *et al.*, 2005). Accordingly, it is clear that the most recent phase of globalization involves not only the increasing volume and spread of economic activities across borders but also, and perhaps more importantly, significant changes to the nature of economic activities and

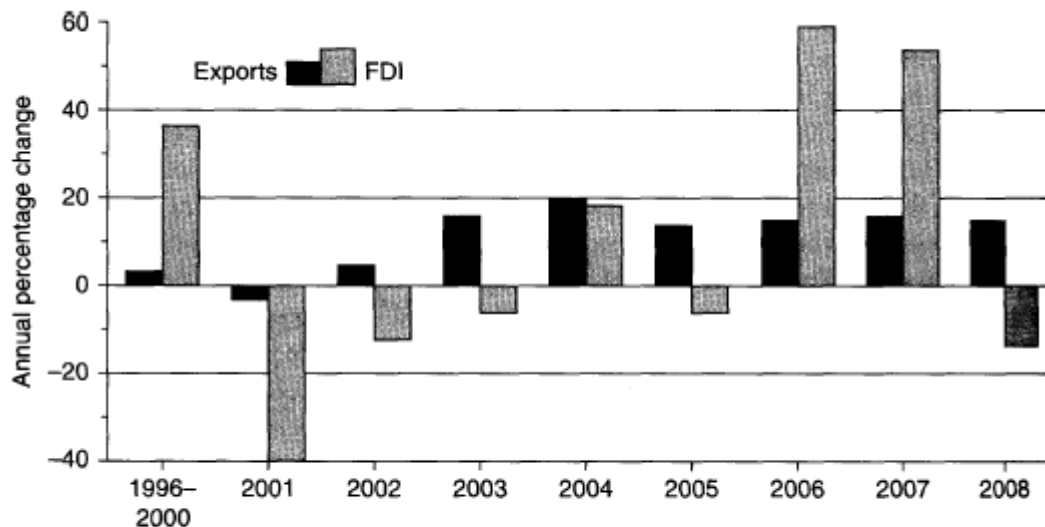


Figure 20.3 Growth of foreign direct investments and exports, 1996–2008.

Source: Calculated from UNCTAD *World Investment Report*, various issues; adapted from Dicken (2011).

relationships across geographic space (Dicken 2011). Today, countries and firms are interconnected in fundamentally different ways than ever before.

Given the importance of the processes of globalization that generate a variety of outcomes, and the differences between prior and contemporary forms of globalization, we adopt Held *et al.*'s (2004: 16) definition of globalization for the purposes of this chapter:

Globalization can be thought of as a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions - assessed in terms of their extensity, intensity, velocity and impact - generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power.

Consequently, contemporary globalization entails the widening, intensifying, increasing speed and growing impact of global interconnectedness which, in turn, results in a more, though not necessarily fully, integrated world economy that brings and binds together nations and regions and the actors within them. Further, globalization should not be conceived as an end-state but rather as a set of complex, continuing, non-linear processes which can be compared over time. Held *et al.*'s definition of globalization is also notable for its explicit inclusion of power as it aptly acknowledges that the interconnections and interdependencies resulting from globalization are not always equal. This conceptualization of globalization will serve as the basis for our examination of the implications that globalization in its current form holds for employment relations practice and theory. But first, we briefly examine the debates surrounding the causes and consequences of globalization, which arise, at least in part, from the different perspectives outlined above.

Causes and consequences of globalization

There is significant debate about the causes and consequences of economic globalization, and these debates have fundamental implications for state, management and labour stances and strategies. First, scholars have debated whether globalization is the result of a single cause or multiple causes (Held *et al.*, 2004). Proponents of monocausal accounts of globalization have typically pointed to capitalism or technology as the primary factors driving increasing global integration. Others reject monocausal explanations and argue that globalization results from the complex interaction of political, cultural, technological and economic factors. Nevertheless, even those who favour multicausal explanations of globalization admit that certain factors, such as advances in information and communication technology, have had a significant effect on globalization (e.g. Giddens and Griffiths 2006). Some have also noted that the causes of globalization may differ based on the specific aspect of economic integration under examination. For example, changes

in technology which have lowered the costs of moving goods and information are likely to play a much stronger role in international finance and multinational production than for international trade which is much more likely to be the result of traditional political factors (Garrett 2000).

The consequences of globalization are more intensely debated than its causes. Proponents of globalization argue that it has positive effects for all involved. Drawing on our earlier discussion, pro-globalizers argue that free markets and international exchange based on comparative advantage will create a 'rising tide... [that] lifts all boats' (Dicken 2011: 5). Globalization, it is proposed, will not only make rich nations rich but poor nations less poor. It helps developing nations through employment creation and exposure to the technology and knowledge of developed countries (Brune and Garrett 2005). In support of this argument, proponents often quote the following statement by the World Bank (2007: 160): 'Rapid growth and poverty reduction in China, India, and other countries that were poor 20 years ago, have been a positive aspect of globalization.' Proponents also point to the economic success and development of the Asian Tigers as an example of the potential that globalization holds for developing countries. Globalization is viewed as having positive economic benefits for consumers as well by increasing access to goods, lowering prices through global competition and increasing the food supply in some countries (Osland 2003).

In contrast, opponents of globalization have argued that globalization and free markets create and intensify inequalities within and between countries. They argue that globalization has placed downward pressure on the wages of the unskilled and uneducated, and point to the widening gap between the rich and the poor as evidence of the negative effects of globalization (Osland 2003). Opponents also see globalization leading to a 'race to the bottom' as developing countries compete with one another to attract investment. Investors, typically transnational corporations (TNCs), seek to set up operations in those nations, or export processing zones (EPZs) within nations, with the lowest environmental, financial and labour standards and costs. Globalization also makes the use of coercive comparisons between domestic and foreign operations more effective and results in downward pressure on pay and working conditions in developed home countries as well (Longworth 1999). In line with the hyperglobalist perspective, critics also assert that the denationalization of economies brought about through globalization threatens national sovereignty and is leading to the 'demise of social democracy and the modern welfare state' (Held *et al.* 2004: 13). Governments increasingly face pressures from powerful TNCs to deregulate and reduce tax rates and, as a result, lower social benefits (given lower tax revenue), which is particularly problematic given the pressing need for governments to assist those who have been displaced or otherwise negatively affected by globalization. Economic globalization, it is argued, also promotes cultural homogenization and threatens distinctive cultural identities and traditions, particularly as TNCs grow and impose Western ideals on countries around the world (Osland 2003). Finally, opponents of globalization warn that the increasing financial integration associated with globalization exposes countries, and especially developing countries, to financial crises and processes of contagion (Schmukler *et al.* 2004).

The difficulty in resolving these debates lies, in part, in the measurement of globalization, which itself is fraught with difficulty and contention. It is difficult to draw inferences regarding cause and effect between globalization and a wide range of variables that tend to move together (Brune and Garrett 2005), especially then there is evidence that partially supports both pro-globalization and critical arguments. We do not attempt to settle these debates here. Instead, our objective is to illustrate some of the potential issues and implications, both positive and negative, associated with globalization. It is important to note that multiple stakeholders pursue actions and strategies depending on which side of the debate they are on. Thus, for example, the debate with regards to whether globalization will lead to a competitive 'race to the bottom' decline in labour standards has galvanized action from multiple stakeholders in the employment relations arena-governments, trade unions, international organizations, employers, and civil society organizations-to focus on the regulation of labour standards globally. We review this development below.

Global regulation of labour standards

The 'Battle in Seattle' in 1999 (which brought together a coalition of labour, environment and student groups demonstrating against the World Trade Organization (WTO)) is emblematic of the debate regarding globalization's consequences and its implications for action. The central idea in this battle was that economic globalization requires new forms of international regulation to counter the negative consequences outlined earlier, especially in terms of environmental and labour standards (Chamovitz 1992). This demand for new regulation is also interspersed with calls for new models of 'global governance' that permit civil society groups to also have their voices heard in discussions about global regulation (Schölte 2004). And as the discussion below indicates, stakeholders, including globalization's proponents such as corporations, have responded to this issue in a multiplicity of ways (see Kuruvilla and Verma 2006, for more detail).

Much of the emerging regulation on international labour standards can be characterized as 'soft' regulation as opposed to 'hard' regulation. An example of hard regulation or hard law is an existing piece of legislation in any country. The legislation is characterized by a clear definition, specifies some standards and articulates consequences for failure to comply. Thus, hard regulation is always 'compulsory' and binding on the populations covered by it. Soft regulation, on the other hand, is more varied. Sisson and Marginson (2001) identify some of the key distinguishing features of soft regulation. In particular, while hard regulation deals with standard and specific rights and obligations, soft regulation typically deals with general principles and minimum provisions. Soft regulation often takes the form of recommendations, opinions or statements; is subject to interpretation and negotiation; and is best characterized as 'permissive' rather than compulsory. Soft regulation is also enforced differently, relying on a wide variety of enforcement mechanisms such as moral persuasion, monitoring and feedback, transparency, peer group audits, benchmarking, joint studies and joint papers. Notably, soft regulation tends to appear more commonly in areas that have cross-border implications. These soft regulation approaches are reviewed next.

Linking labour standards with trade

A key mechanism with considerable promise has been linking labour standards with trade. The argument is that such a linkage would force countries, and particularly those countries that are not enforcing their labour laws, to improve labour standards in order to participate in the global trading system. This effort, heavily sponsored by the USA, was not successful in the WTO Ministerial Conference in Singapore in 1996, where developing countries successfully argued that this policy would undermine the comparative advantage of lower wage trading partners. Moreover, proposals to bring labour standards into multilateral trade negotiations have been viewed as a smokescreen for protectionism - protecting industries in the 'North' that would otherwise move to the 'South'.

Although the efforts to formally link labour standards with trade at the WTO level ended with the Singapore round, incorporating labour standards into trade continues to be seen by many as the best way to improve labour conditions internationally. Indeed, the USA has embarked on a bilateral approach that links labour standards with trade. This can be seen most recently in the series of bilateral free trade agreements (FTAs) that the USA has signed with a variety of countries, including South Korea, Peru, Panama and Colombia (for a list of recently signed US free trade agreements and specific labour provisions, see ILO 2009 and www.ustr.gov). Critics have argued that the linkage of labour standards with trade in these bilateral deals does not provide sufficient 'teeth' to really improve standards, although the more recent free trade agreements negotiated by the Obama administration do reflect marked improvements over earlier agreements. For example, under the recently signed agreements noted above, labour provisions including the four basic ILO core labour standards (enumerated later) are enforceable through the same dispute resolution procedures used for other provisions, such as commercial interests (Bolle 2012).

Regionalization and labour standards

A second method to regulate labour standards across countries can be found in a variety of regionalization initiatives. Regionalization has significant implications for the transnational regulation of labour standards, given that the most developed regionalization initiatives, namely the European Union (EU) and the North American Free Trade Act (NAFTA, embracing the USA, Canada and Mexico), deal with labour issues (see Chapter 22). But, they follow vastly different approaches. Briefly, the EU follows a hard law approach, having adopted the principle of harmonization of labour regulations throughout the community (with the exception of freedom of association, collective bargaining and the right to strike). In addition, Directives with regards to labour issues proposed by the European Commission and adopted by the Council of Ministers are converted into national legislation of each EU country. It is also possible for agreements reached by labour and management representatives in different sectors to result in Directives. Thus, apart from laws, sectoral and cross-industry agreements have the potential to raise labour standards throughout the community. The European case is interesting because labour standards are based on Europe-wide legislation in countries that have historically had high labour standards and a strong tradition of collective bargaining with high levels of union density and bargaining coverage. None of these conditions, however, are present elsewhere in the world and hence the possibility of the EU model being replicated is slim.

NAFTA's approach is to condition each member country to respect each other's labour laws and to force countries to enforce their own labour laws. While the EU's approach clearly has the capacity to create uniform labour conditions in the region, NAFTA's approach does not. Rather, the NAFTA model is a process that encourages countries to implement their current labour laws while simultaneously increasing understanding of the differences in labour laws and conditions across countries. Critics of NAFTA point to its narrow scope and limited powers to argue that this approach, while useful in educating the parties and publicizing violations, is unlikely to make an appreciable impact on a large scale (Compa 1999). In addition, there is no recourse if the labour laws in any country go against the core labour principles espoused by NAFTA.² Other recently emerging regionalization initiatives, such as MERCOSUR (which involves Argentina, Brazil, Paraguay and Uruguay) and AFTA, the ASEAN Free Trade Area (which involves Singapore, Malaysia, Philippines, Thailand, Vietnam, Laos, Cambodia and Brunei), have not yet developed detailed agreements on labour issues, although MERCOSUR has taken some initial steps and appears to be following the EU model of harmonizing labour standards. Nonetheless, while regional efforts such as those of the EU show considerable promise of lifting labour standards, efforts such as NAFTA seem to indicate that regionalization trade models have, at present, limited potential to be the vehicles by which core labour standards are protected. But this is an area that is ripe for more sustained research.

Multilateral model: the ILO

The ILO (International Labour Organization) offers an avenue for the multilateral regulation of labour standards. The ILO works through a series of conventions and recommendations that set forth 'International Labour Standards' aimed at ensuring basic worker rights (ILO 2012). Conventions and recommendations are drawn up by the ILO's members (representatives of governments, employers and workers of each member state) and adopted at the ILO's annual International Labour Conference. Conventions are legally binding international treaties while recommendations serve as non-binding guidelines. In many cases, recommendations serve as detailed guidelines for the effective implementation of conventions. Countries that ratify a convention are expected to incorporate the convention into national law and practice. The ILO's Declaration on Fundamental Principles and Rights (1998) identifies four core labour standards that are applicable to all countries and covered in eight 'fundamental' conventions. These are: (1) freedom of association and collective bargaining (Conventions 87 and 98); (2) the elimination of forced and compulsory labour (Conventions 29

and 105); (3) the abolition of child labour (Conventions 138 and 182); and (4) the elimination of discrimination in respect of employment and occupation (Conventions 100 and 111).

In this way, the ILO has set a process in motion that could potentially lead to better labour standards globally. Failure to implement can result in a complaint to the ILO. However, the ILO does not have any punitive power and must rely on moral persuasion. History is replete with examples of countries adopting ILO Conventions and not implementing or enforcing labour laws. For example, there are a total of 189 Conventions on a range of issues. Out of 185 members, 175 have ratified the forced labour Convention, 170 have ratified the Convention on discrimination and 151 have ratified the Convention on freedom of association. The USA, a big proponent of improving core labour rights, has only ratified 14 Conventions and has not ratified the freedom of association and collective bargaining Conventions.³ Of greater concern, however, is the fact that there are widespread violations of labour standards even in the countries that have ratified the Conventions (Compa 2003).

Accordingly, the key issue for the ILO is enforcement. Since the ILO depends on moral persuasion and cajoling countries to improve their labour standards, many have criticized the ILO's procedures as not having enough 'teeth'. The ultimate step - that of expelling a country from the ILO - is never taken because that would negate any influence the ILO has over that country in the future. While the ILO has taken steps to curb violations, for example via transparent reporting, it is clear that at the global level, the ILO does not have the resources to monitor and enforce standards. Despite this principal weakness, the ILO is the only multilateral organization that we currently have that focuses on improving labour standards globally and providing technical assistance to poorer countries in order to do so (for details of how the ILO works in a variety of areas and the ILO's enforcement tools, see Chapter 23 in this volume). Thus, the ILO is a vitally necessary, though imperfect, mechanism for (soft) regulation in the global economy.

Voluntary methods

A range of voluntary methods has emerged in recent years as global corporations have engaged in pre-emptive moves to prevent new and unforeseen forms of hard regulation from being thrust upon them. In many cases, the adoption of such voluntary approaches has also been precipitated by the highly publicized, globally coordinated campaigns of NGOs, consumer organizations and organized labour aimed at bringing attention to exploitative working conditions in developing countries. Most common among these approaches are corporate codes of conduct that draw their inspiration from the Sullivan principles used during the fight against apartheid.⁴ Generally, the scope of typical corporate codes is quite similar, focusing on the core labour standards but also including safety, health, working hours and working conditions (an example can be found at www.nikebiz.com).

Corporate codes have made some progress within the niche of internationally traded consumer goods. Codes were first established in consumer goods sectors such as toys, clothing, shoes and rugs. The growth of corporate codes is premised on a robust consumer preference in high-income countries for 'ethically-made' goods. Such codes will succeed as long as consumers are willing to pay a premium to ensure that the goods they buy are not made in sweatshops (Blank and Freeman 1994; Freeman 1994, 1998) and/or where consumers are unwilling to buy brands whose production does not follow basic labour standards. Of late, corporate codes of conduct have also grown as part of corporate 'social responsibility' initiatives. In general, corporate codes of conduct have made some progress in improving labour standards and the number of industries affected by codes has increased over time. From their original introduction in the garment and athletic shoe sectors, codes of conduct that include labour standards have now spread to electronics, accessories and jewelry, food processing, aquaculture, furniture, glue, entertainment, toys, office supplies, and pharmaceuticals, among others. However, corporate codes of conduct diffuse much more slowly in sectors whose goods are not sold directly to the consuming public and as a result, these efforts are likely to benefit only a small segment of the global workforce (Scherrer and Greven 2001). Moreover, there are also a host of problems with monitoring for compliance with corporate codes and this is true for both

internal audits as well as external audits by NGOs and private monitoring firms. A large number of monitoring companies have emerged, although it is not yet clear that monitoring has become an exact science. For example, many have recently called into question the objectivity and effectiveness of the Fair Labour Association (FLA), a non-profit multi-stakeholder initiative created to improve and monitor working conditions around the world. The FLA became the centre of controversy in the early part of 2012 after the president and CEO, Aret van Heerden, praised labour conditions at Foxconn, a key Apple subcontractor in China, shortly after Apple became a dues paying member and only weeks after the publication of a *New York Times* article documenting widespread violations of worker rights and worker suicide attempts⁵ (Greenhouse 2012). Critics of the FLA have also questioned whether the FLA's monitoring efforts are effective in actually producing change.

The ability of voluntary approaches such as corporate codes of conduct to significantly improve labour standards for the majority of workers in developing countries is thus debatable. Although there is some impact, progress remains slow. A recent evaluation of Nike's efforts by Locke *et al.* (2007) provides a sobering reminder that forcing Third World factories to follow labour standards in the codes of their First World clients without a higher payment for incorporating those standards is not a fully effective method. Nevertheless, global corporations in a variety of industries are adopting codes of conduct and searching for ways to make the implementation of such codes more transparent and effective. This is a currently popular area of research, and as more corporations strive to improve labour standards in their global supply chains, there will be more and better data for students to evaluate.

Certification and reporting approaches

Another voluntary approach is certification schemes, which are quite common in a number of areas other than labour standards and have achieved considerable success (e.g. the US Department of Agriculture certifying that a particular food is 100 per cent organic). The central idea of certification is that a reliable external monitoring agency conducts inspections and certifies that labour standards are not being violated in the supply chain producing these goods. The success of RUGMARK, which certifies that carpets produced from some regions are made without child labour, has resulted in a number of additional certification schemes in the labour standards realm, such as SA8000, AA1000 and ISO 14001.⁶ The success of these efforts depends largely on the reputation of the monitoring agency and the effectiveness of the monitoring that they do.

Reporting systems, on the other hand, depend largely on transparency. The essential element of a reporting system is that it requires those corporations who agree to participate in the system to report on the enforcement of such standards in their own firms. The best examples of these are the Global Reporting Initiative (GRI) and the UN Global Compact. The GRI commenced in 1997 and was convened by the Coalition for Environmentally Responsible Economies and the United Nations Environment Programme. GRI's basic mission is the development of globally applicable guidelines for reporting on economic, social and environmental performance for businesses, governments and NGOs. Called the 'triple bottom line' for its simultaneous focus on environmental, social and financial reporting, the idea is to elevate sustainability reporting to the same level as financial reporting. GRI requires its participating companies to report in highly specific ways, through the creation of Sustainability Reporting Guidelines in 2000. According to GRI, a total of 1,859 organizations reported in 2010 using GRI guidelines (GRI 2012). The UN Global Compact is similar in that it requires members to take specific actions: to support and respect protection of international human rights; to make sure their corporations are not complicit in human rights abuse; to uphold freedom of association and collective bargaining; to uphold elimination of forced labour; to uphold the elimination of child labour; to uphold the elimination of discrimination; to support a precautionary approach to environmental challenges; to undertake to promote greater environmental responsibility; to encourage development and diffusion of environmentally friendly technologies; and to work against corruption in all forms. Participating organizations must sign a letter of intent to participate and then report on their performance on the above ten principles in their annual report. As of February 2012,

there were more than 7,000 corporate signatories in 140 countries participating in the UN Global Compact (UN Global Compact 2012).

The key problems with this approach are as follows. First, it is a voluntary approach. Not all multinational corporations participate and many that initially agree to participate never follow through. In fact, the UN Global Compact has expelled more than 3,000 companies since 2005 for failure to communicate progress on their efforts to implement the Compact's ten sustainability principles (UN Global Compact 2012; for a full list of expelled companies, see http://unglobalcompact.org/COP/analyzing_progress/expelled_participants.html). Second, there is no monitoring; no one is going to inspect to see if corporations are following the standards. The hope is that the transparency inherent in participation in reporting systems (and the danger that someone might actually check if the corporation is following core labour standards) will be sufficient to ensure that labour rights are upheld all over the world. The limited participation works against this principle, however.

In sum, a variety of multilateral and voluntary methods have been introduced to improve labour standards globally and counter the 'race to the bottom' implication of globalization. They are diverse, not necessarily integrated with each other, and each approach has both advantages and limitations. Taken together, however, these approaches bring us closer to improving labour standards around the world. The effectiveness of these approaches and the reasons for the relatively slow progress are another area ripe for research.

Globalization and employment relations

Globalization has also spawned a variety of new research in employment relations. It is impossible to review this vast body of research in this chapter (much of the comparative industrial relations research published in the last 15 years makes reference to globalization). However, it is useful to highlight certain persistent themes. One enduring question, for example, is the continuing debate over whether, and in what ways, increasing globalization and the internationalization of markets will cause employment systems around the world to converge (Hyman 1999; Gordon and Turner 2000). While early convergence predictions regarding the effects of industrialization and advances in technology proved untrue (e.g. Kerr *et al.* 1960), the debate continues, given recent findings of increasing similarity of patterns of employment relations around the world (Katz and Darbishire 2000). However, a growing body of research (e.g. the 'varieties of capitalism' literature) has focused on the reasons why industrial relations systems continue to differ across countries. The issue of whether and how globalization is contributing to increasing similarity or differences across countries will continue to be a central theme in comparative employment relations research for the next decade.

Another enduring theme has been the effects of globalization on the strategies, roles and fortunes of traditional industrial relations actors: labour, employers and governments. Globalization's impact on labour movements is a popular topic. Almost without exception, the key findings indicate both a decline in union density and a decline in trade union power (Gordon and Turner 2000; Turner *et al.* 2001). In many countries, the decline in union density has been accompanied by a decline in bargaining coverage as well, resulting in an overall drop in employment standards (e.g. Doellgast 2012). However, bargaining coverage continues to be high in European countries that do have bargaining extension mechanisms (Traxler and Brandi 2010). More recently, there has also been a spurt in research on labour's response to globalization, for example, focusing on resources for (re)building union power (e.g. Turner and Cornfield 2007), international collaboration efforts and strategies (Bair and Ramsay 2003), and the newer development of labour's efforts to conclude International Framework Agreements, which aim to secure fundamental labour rights across the global supply chains of large multinational corporations (Riisgaard and Hammer 2011). This is a 'hot' research area at the moment and will continue to be so as the effects of globalization unfold.

Research on the strategies of employers has also endured. In contrast to findings that industrial relations systems continue to be diverse, a plethora of research on employers and multinational corporations suggests that the employment relations strategies of firms seem remarkably similar across countries with differing institutional environments (Katz and Darbishire 2000). In addition, there

is increasing evidence that employers, in both developed and developing countries, are increasing their resistance to union organizing (Bronfenbrenner 2008). A more general implication is that 'low-road' employment strategies are gaining ground in developing countries such as India and China while high-road employment strategies are retreating in developed countries. Apart from firm strategy with regards to labour, globalization has also spawned research that has examined human resource management within multinationals. For example, scholars have questioned whether, and under what circumstances, employment relations should be centralized, coordinated or decentralized in global corporations (Edwards and Kuruvilla 2005). Scholars are also examining a range of other questions with regard to global human resource strategies and there is much exciting work that remains to be done in this area. The similar yet distinct literatures on global value chains and global production networks (discussed in the next section) are also germane to this research stream.

Arguably, the employment relations actor that has received the bulk of research attention has been the government. On the one hand, there is research that suggests that under globalization, governments have become more 'employer-friendly', and most commonly this has been highlighted in research on Indian employment relations after liberalization policies (Kohli 2006), and of course on Chinese employment relations during the 1990s and early 2000s (Gallagher 2004) but is also true of several other countries. A disturbing trend for employment relations is the deepening interaction between government strategies for economic development and employer strategies for employee relations. As briefly discussed with regards to the consequences of globalization, this plays out in the development of free trade zones and export processing zones introduced by governments to attract foreign investment, often with labour standards below national standards that are exploited by employers. Another stream of research has focused on government strategies and how governments should protect workers from globalization's impact. Of particular import here is the efforts of governments to enact new regulation (e.g. the new labour laws in China) to contain the trend towards informality and temporary employment that appears to be growing in Asia, North America and Europe as well as other parts of the world (e.g. Friedman and Lee 2010; Keller 2011). There is at least one comparative project on atypical employment and temporary work in the EU already (Keller 2011). Related to this issue, an under-studied, though growing, arena of research is about enforcement strategies, that is, how governments are able to better enforce their own labour regulations (Amengual 2010). Although we have only described a few illustrative themes above, research on the impact of globalization on the three actors - government, labour, and employers - is extensive.

There is also research on how globalization has affected entire employment relations systems. One illustrative framework here is provided by Frenkel and Kuruvilla (2002), who argue that employment relations patterns in any country can be explained by the dominant logic underlying employment relations policy. They identify the logic of industrial peace, that is, the need to have a system of regulation in order to contain and resolve inevitable conflict between labour and management, as being the decisive force behind the design of industrial relations systems from their inception until the 1980s. However, they argue that, since the mid-1980s, the dominant logic has been the logic of competition, driven by economic globalization, and as a result, industrial relations institutions and practices were reformed in most countries in accordance with this logic. The decentralization of bargaining and the redesign of many systems between the 1985 to 2010 period are evidence of the transformation of industrial relations based on a shift from the logic of industrial peace to the logic of competition. They argue further that a new logic, a logic of employment and income protection, may be appearing as evidenced by the recent protective labour legislation in China. While the framework is potentially useful in understanding how entire systems transform, there is still work to be done to explain why certain logics are strongest in any given period and across countries. What we need is more research and perhaps more frameworks that will allow scholars to explain and predict the future trajectory of employment relations in a globalized world.

Globalization and employment relations scholarship

Given the effects of contemporary globalization on employment relations research and practice, we must ask ourselves how appropriate traditional employment relations theories are. Can they account for the growing interconnectedness of firms and countries? And more importantly, do they identify and allow us to understand the employment relations implications of the variety of intra- and inter-firm linkages arising in the global economy?

The dominant employment relations frameworks in use today focus on the ways in which firm-level employment relations are shaped by key actors and the external environment (Dunlop's System Approach and Kochan *et al.*'s Strategic Choice Framework) and how national institutional configurations affect firm level employment relations strategies (Whitley's National Business Systems approach and the 'varieties of capitalism' perspective by Hall and Soskice). Dunlop's System Approach (1958), for example, emphasizes the centrality of key environmental contexts, namely, markets, technology and power relations, for structuring the employment relationship. While also acknowledging the importance of the firm's external environment, Kochan *et al.*, (1986) focus on the strategic choices of key actors - management, labour and the government - in understanding employment relations processes and outcomes at multiple levels (e.g. the strategic level, functional level and workplace level). These frameworks have been particularly useful for the analysis of employment relations in vertically integrated firms operating in a single national institutional environment. They are much less useful, however, for understanding how employment relations systems are affected by operating across national and firm boundaries.

This is partly where comparative institutional approaches, such as those of Whitley (1999) and Hall and Soskice (2001) come in. Whitley's National Business Systems framework emphasizes the role of institutional contexts which give rise to distinctive national business systems that, in turn, structure the nature of firms and the ways in which they organize and control work. Similarly, Hall and Soskice's 'varieties of capitalism' framework focuses on the ways in which different national institutional configurations shape the competitive and in turn employment relations, strategies and practices of firms operating in different national contexts. Hall and Soskice focus in particular on two broad 'ideal types' of political economies: liberal market economies, such as the USA, in which firms find institutional support for coordinating activities via arm's-length market relations, and coordinated market economies, such as Germany, in which firms find institutional support for coordinating activities through collaborative non-market relationships. The comparative institutional approaches of Whitley and Hall and Soskice have been especially useful for comparing the employment relations systems of firms operating in different national contexts. In addition, they provide a starting point for understanding how employment relations are structured in TNCs that operate across national boundaries (e.g. 'home' vs. 'host' country effects). However, these approaches, like Dunlop and Kochan *et al.*'s frameworks, fall short in their ability to explain the employment relations implications of inter-firm connections. That is, while they do allow us to understand how employment relations systems are likely to be affected by the increasing connectedness *within* firms across national boundaries, they do not allow us to analyze how employment relations systems will be affected by the increasing connectedness *between* firms across national boundaries.⁷ Accordingly, while traditional employment relations theories go a long way in helping us to understand and analyze firm strategies and employment relations, we are in need of new theoretical lenses which are able to capture and explain the diverse employment systems that are likely to arise from the variety of interconnections in today's increasingly global economy (Batt and Hermans 2012).

Network-based approaches provide such a lens by explicitly recognizing the changing nature of economic organization in the global context. These approaches focus on how companies, typically large TNCs, organize and control global production through complex networks that cross both national and firm boundaries. Two such approaches are global value chain (GVC) theory and the Global Production Network (GPN) framework. Since both approaches explicitly take into account the interconnections of economic

actors across geographical space in a way that prior theories do not, they are promising schemas for employment relations scholars.

Global value chain theory is a multidisciplinary theory that examines the ways in which global production and service networks are integrated. GVC theory begins with the notion of a 'value chain', which can be used to describe the range of activities involved in bringing a product or service from conception to the buyer and beyond (Porter 1985). The activities in a given value chain can be performed by a single, vertically integrated firm, or can be performed by multiple firms across countries. The goal of GVC theory is to understand how activities are coordinated in value chains, both within and across firms, and in particular, the governance structures put in place to manage the diverse intra- and inter-firm relationships in such chains.

In line with this approach, Gereffi *et al.* (2005) identify five main types of value chain configurations with different modes of governance: market, modular, relational, captive and hierarchy. These value chain configurations vary in their degree of explicit coordination and power asymmetry, with low levels of explicit coordination and power asymmetry in market-based configurations, high levels in vertically integrated hierarchical configurations and moderate to high levels of explicit coordination and power asymmetry in network configurations (modular, relational and captive). Three key variables determine the mode of governance or the choice of value chain configuration: (1) the complexity of task requirements; (2) the codifiability of those requirements; and (3) the capabilities of actual and potential suppliers in relation to the requirements. The higher the complexity of task requirements, the lower the codifiability of said requirements and the lower the capabilities of suppliers, the more likely that lead firms will choose value chain configurations that ensure high levels of explicit coordination and power asymmetry.

The five types of value chain configurations outlined by Gereffi *et al.* account for most types of intra- and inter-firm relationships we see today. Market value chain configurations are those in which customers or lead firms and suppliers buy and sell standard products to one another with little interaction beyond exchanging goods and services for money. Examples of this can be found in the bicycle industry where national bicycle brands purchase basic components from suppliers around the world (Galvin and Morkel 2001). Modular value chain configurations are characterized by 'turnkey' suppliers who make products or provide services according to detailed customer specifications and can be found, for example, in the electronic and apparel industries where supplier firms provide full package solutions and modules to lead firms (Bair and Gereffi 2001; Sturgeon 2003). Relational value chain configurations are characterized by complex relationships between firms and typically involve the exchange of tacit knowledge and a high degree of mutual dependence. Examples of relational value chain configurations can be found in the offshoring of knowledge work, such as software development, where lead firms work closely with suppliers and often exchange proprietary information (Piore 2004). Captive value chain configurations, in contrast, are characterized by transactionally dependent suppliers and, given low supplier capabilities, are limited to a narrow range of tasks and subject to a high degree of monitoring and control by lead firms. Firms in a variety of industries such as law and accounting often have business process units or back offices which are examples of this kind of configuration. Lastly, hierarchical value chain configurations typically refer to intra-firm relationships in which affiliates perform highly complex tasks that are key to the lead firm's competitive advantage. Examples of hierarchical value chain configurations can be found in the relationships between large MNCs in a variety of industries, such as IT, and their subsidiaries involved in strategic functions such as core R&D (Quan and Chesbrough 2010).

Similar to GVC theory, the global production network framework advanced by economic geography researchers aims to capture the dynamic relationships and processes through which goods and services are produced in the global economy (Henderson *et al.* 2002). However, the GPN framework takes a much broader perspective by not only examining the range of activities and functions involved in creating a specific product or service but also and perhaps most notably, examining the range of actors, such as national governments, multinational corporations, labour unions and consumers, within global networks and the social and institutional contexts within which those networks are embedded. Accordingly, three conceptual elements form the basis of the GPN framework:

(1) value, with a focus on where and how value is created, enhanced and captured in the network; (2) power, including the different sources of power in the network (e.g. corporate, institutional and collective) and how power is used in the capturing of value; and (3) embeddedness, focusing on the territorial and network embeddedness of firms.

Recognizing the utility of these network-based approaches for the study of labour and employment in the global economy, scholars have begun to incorporate these perspectives into the analysis of different employment relations phenomena. For example, studies have used GVC/GPN approaches to examine the role of labour agency in structuring global networks⁸ and vice versa (e.g. Rainnie *et al.* 2011; Taylor 2010), the increasing casualization and feminization of employment in such networks (e.g. Barrientos and Kritzing 2004), the implications of firm upgrading for labour (Barrientos *et al.* 2011), and increasingly, the employment relations outcomes for workers at different points along the value chain (e.g. Nadvi and Thoburn 2004). Nevertheless, the integration of network-based approaches with the analysis of work and employment remains limited as most studies have tended to focus on a narrow range of issues and outcomes.

Thus, it would appear that, while we have two new theories/frameworks that show promise, they must be developed further in ways that permit scholars to answer the variety of employment relations questions raised by continuing globalization. One fledgling effort in this direction is described here. Lakhani *et al.* (2013), for example, build on GVC theory by providing a new configurational framework for examining the employment relations implications of the various interconnections within and between firms in global networks.⁹ Using GVC theory, the authors outline the ways in which each value chain configuration, given its level of explicit coordination, power asymmetry and task requirements, shapes employment systems of the next element in the chain, the suppliers.¹⁰ They identify four employment system criteria that capture important dimensions of supplier employment relations systems (lead firm influence, skill and knowledge levels, employment stability, and national institutional influences) and show how they are likely to vary across each of the value chain configurations (market, modular, relational, captive, hierarchy) identified by Gereffi *et al.* (2005).

As shown in Table 20.1, the configurational framework suggests that different value chain configurations will lead to fundamentally different employment system configurations. In general, employment systems in value chain configurations with high explicit coordination and power asymmetry (recall from above that this is most likely where task complexity is high, codifiability is low and/or there are low supplier capabilities) will be characterized by high lead firm influence and be subject to national institutional influences from both the lead firm's home country (referred to as 'Lead' in Table 20.1) and the supplier firm's host country (referred to as 'Local' in Table 20.1), albeit to varying degrees. This is most likely to occur under captive, relational and hierarchical configurations. In contrast, employment systems in value chain configurations with low explicit coordination and power asymmetry will be characterized by low lead firm influence and will be subject to primarily local national institutional influences. Market and modular value chain configurations are expected to evidence such a pattern. Finally, task complexity is expected to be positively related to both the skill and knowledge of employees and the stability of employment, with relatively higher skilled workers and higher employment stability found in value chain configurations with high task complexity and vice versa. Thus, employees in hierarchical, relational and even modular value chain configurations are expected to be higher-skilled and hold more permanent forms of employment than employees in market and captive value chain configurations. As an example, then, the configurational framework predicts that a supplier in a relational value chain configuration and a supplier in a captive value chain configuration will have very different employment system configurations, particularly across the dimensions of skills and stability. Research from the software and call centre industries provide support for these assertions, with long-term highly skilled workers found in software development firms under relational configurations (Piore 2004) and lower skilled workers with low job security and high turnover typically found in call centres under captive configurations (Taylor 2010).

The configurational framework described above permits a better understanding of the dynamics of globalization and its effects on

employment relations than previous theories allow, particularly for the analysis of value chains. The framework serves as a

Table 20.1 A configurational framework for employment relations

<i>Value chain configuration</i>	<i>Nature of task requirements</i>	<i>Employment system criteria</i>			
		<i>Lead firm influence on supplier employment relations</i>	<i>Skill & knowledge of employees in the supplier firm</i>	<i>Stability of employment in the supplier firm</i>	<i>National institutional influences on supplier employment relations</i>
Market	Low task complexity High task codifiability High supplier capability	Low	Low	Low	Local
Modular	High task complexity High task codifiability High supplier capability	Low	Moderate	Moderate	Local
Relational	High task complexity Low task codifiability High supplier capability	Moderate	High	High	Local and Lead
Captive	High task complexity High task codifiability Low supplier capability	High	Low	Low	Local and Lead
Hierarchy	High task complexity Low task codifiability Low external supplier capability	High	High	High	Lead

Source: Lakhani *et al.* (2013).

baseline tool for comparative analysis and can be used to examine a variety of different employment relations issues in the global context. As a result, the framework generates enough testable propositions for further research. It may also, in turn, aid in the development of effective practices and policy responses to address a myriad of global employment relations challenges, including but not limited to challenges surrounding the international regulation of labour standards and the implications of globalization for employment relations systems and actors, as discussed earlier. However, the framework is also limited in some ways, and the effort, while taking us forward, illustrates the challenges in developing network-based theories into useful tools for employment relations researchers in order to advance both the theory and practice of employment relations in the global economy.

Conclusion

Globalization presents employment relations actors with a variety of new challenges, while also challenging employment relations scholars to think in new ways about the interesting questions in the field. And as employment relations actors experiment with new approaches, it provides new issues for scholars to study. At a time when unions are in decline in most countries, triggering a decline in national industrial relations scholarship, globalization and regionalization stimulate the growth of comparative approaches. This chapter has provided a broad overview of some of the challenges for policy-making as well as for research. A key challenge for students is the development of frameworks that are better able to capture the nature of global inter-firm linkages. This is an exciting time for students of employment relations and we hope this chapter will stimulate the development of new research questions.

Notes

1. While globalization is multidimensional (e.g. economic, political, social, environmental, cultural, see Held *et al.* 2004), the focus of this chapter is *economic globalization* though we will, at times, touch on the other dimensions as they are inevitably interrelated.
2. Chapter 22 in this volume deals with regionalization issues in greater detail, and Lance Compa's authoritative work on NAFTA and its labour side agreement NAALC is a valuable reference (Compa 1999).
3. For more information on ratifications by country and convention, see <http://www.ilo.org/dyn/normlex/en/f?p-ORMLEXPUB:1:0>.
4. While the discussion here focuses on one voluntary form of regulation in particular, corporate codes of conduct, there are other voluntary approaches as well, such as international framework agreements at the company level and private social standards or multi-stakeholder codes at the industry level (Riisgaard and Hammer 2011). These approaches will be covered in detail in Chapter 22.
5. It is worth noting that initial findings from the FLA's investigation of working conditions in Foxconn factories revealed numerous violations of its own codes as well as Chinese labour laws. For the full report, see <http://www.fairlabour.org/report/foxconn-investigation-report>.
6. These are all voluntary certification and reporting systems that global corporations join. SA8000 was launched by a coalition of rights activists, governments, MNCs (Avon, Dole, Toys 'R' Us) and originally funded by the US government's contribution of \$1.6 million. SAI sets standards for decent work and appoints inspectors, and certifies factories around the world. The AA1000 standards are a UK-based multi-stakeholder approach that also sets standards (www.accountability.org.uk). The ISO 14000 Standards related to environmental management also specify some labour issues.
7. Comparative institutional approaches do recognize the significance of inter-firm connections, for example, by examining the extent of ownership and non-ownership coordination in business systems (Whitley 1999) or the level of inter-firm cooperation (Hall and Soskice 2001). However, these inter-firm connections are assumed to take place *within* national institutional boundaries and are defining features of distinctive national capitalisms.
8. Despite the distinction made by some scholars between global value *chains* and global production *networks* (see, for example, Henderson *et al.* 2002), we use the terms 'chain' and 'network' interchangeably.
9. It is worth noting here that Lakhani *et al.* do not present their framework as a substitute for existing employment relations frameworks. Instead, they acknowledge the continuing relevance of those frameworks and offer their configurational framework as a complement to traditional theories of employment relations by focusing on the interconnections within and between firms in global value chains - the missing piece in previous theories.
10. The configurational framework focuses on employment relations in supplier firms (internal and external) rather than the lead firms (e.g. TNCs), because lead firms drive the level and type of coordination with supplier firms and as a result, it is supplier firms' employment systems which are most likely to be affected by their involvement in different configurations with lead firms.

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