

Globalization of Production and the World of Work: Is Race to the Bottom Inevitable?

Rizwanul Islam

With the gradual dismantling of trade barriers, and capital flows becoming easier, globalization of the process of production has also become easier. It is no longer necessary to produce goods in one location. While this is happening especially in high-tech products for which R&D is usually carried out in developed countries and components are made in different countries, the approach is also used in producing labour intensive goods like garments, shoes, etc. – with designs provided by developed countries, components produced by some countries and the final production undertaken in some others.

Globalization of the process of production has influenced the world of work in ways that have not been witnessed before. While some of the impact, e.g. new employment opportunities, has been positive from the point of view of workers, the negative aspects have given rise to serious concerns. The process of globalization of production has led to serious pressure on the working class, preventing real wages from rising and compelling them to work in adverse conditions and under unfavourable terms. The term “race to the bottom” has come into circulation in the context of such negative impact of globalization. But this does not have to be the only consequence, especially since there are useful positive aspects from which the workers could benefit alongside the rest of the global community.

The basic objective of the present paper would be to examine how race to the bottom is taking place in reality and to explore possible pathways for avoiding such outcomes. Several indicators can be used to examine possible adverse outcomes for workers; they include trends in real wages, the share of wages in value added, the terms that are used to employ workers in export-oriented labour intensive products in developing countries, and conditions in which such work is carried out. Given the availability of data, it may not be easy to quantify all the indicators mentioned here. The basic focus of the present paper will be on trends in real wages and the share of wages in value added in manufacturing. While the first indicator is critical from the point of view of the level of living of workers, the second is linked to the distribution of factor income. In addition to these two indicators, and depending on the availability of data, an attempt will be made to throw some light on the

situation regarding other indicators, e.g., terms of work and basic labour rights like freedom to form unions.

The empirical part of the exercise will focus mainly (but not entirely) on Bangladesh – an archetypal case of globalization of production being associated with both positive and negative outcomes. In order to provide a broader perspective to the analysis, illustrations will be provided from other countries of Asia, e.g., Cambodia and India. Although race to the bottom is a real danger in countries that are part of the globalized production chain, the present paper will argue, with illustrations from selected countries of Asia, that this does not have to be the only consequence. The paper will outline how work can be organized along a high road of development, thereby combining the goals of development and of basic human rights and rights of workers. In that context, the importance of combining global and national level action will be analyzed.