Higher 2 (9173)	Cluster 1: Development, Economy and Environment	TMJC
Cluster 1 Lecture 6	Labour in the global economy	2025

What is Labour?

Labour generally refers to the people who work for gain, often in terms of wages. Labour is often regarded as a location-specific factor of production that affects where a firm may choose to locate its relevant operations.

Labour is location-specific because different parts of the world have different types of labour- people who work for wages with different characteristics. Skills and cost are factors but there are also social and cultural factors that affect labour characteristics as well.

How does labour characteristics affect TNCs' locational decisions

TNCs being footloose are willing to relocate their operations into places that help them maximise profits, with labour being one of their consideration.

Skill characteristics

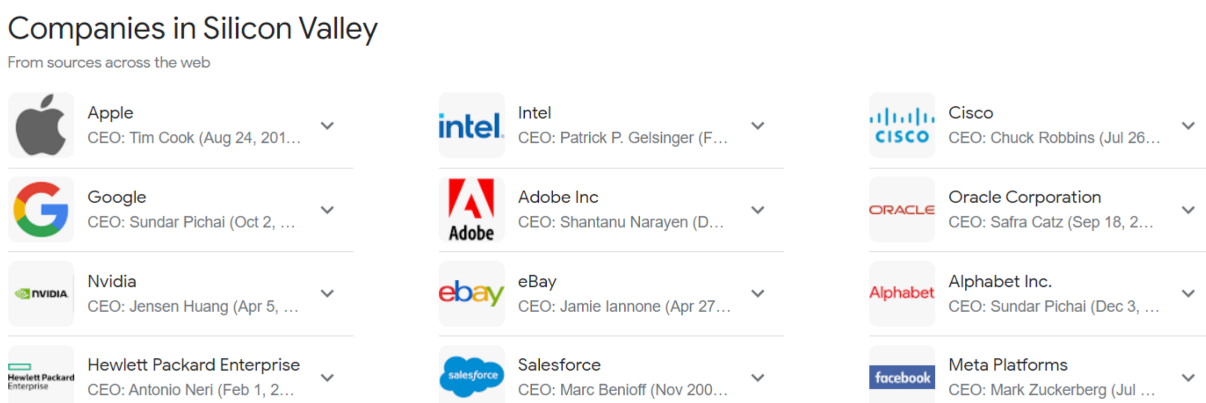
TNCs across countries and within countries choose and operate their operations finding labour with the right skills, differences in skillsets are more apparent across DCs with different types of tertiary institutions.

- TNCs related to the finance often tend to want to locate in cities/countries with good tertiary institution that produces major finance graduates- there are both traded and untraded interdependencies in such places – people with the skillset and also the networks. For instance – New York City (Wall Street and New York Stock Exchange) or London with the London Stock Exchange are cities which produce a lot of finance graduates
    - New York City : New York University; University of Chicago and Harvard Business School (nearby); Wharton business school
    - London- London School of Economics; London Business School

  TNC HQ located in NYC: American Express; Goldman Sachs, BNY Mellon, Blackrock, Citigroup, JPMorgan Chase

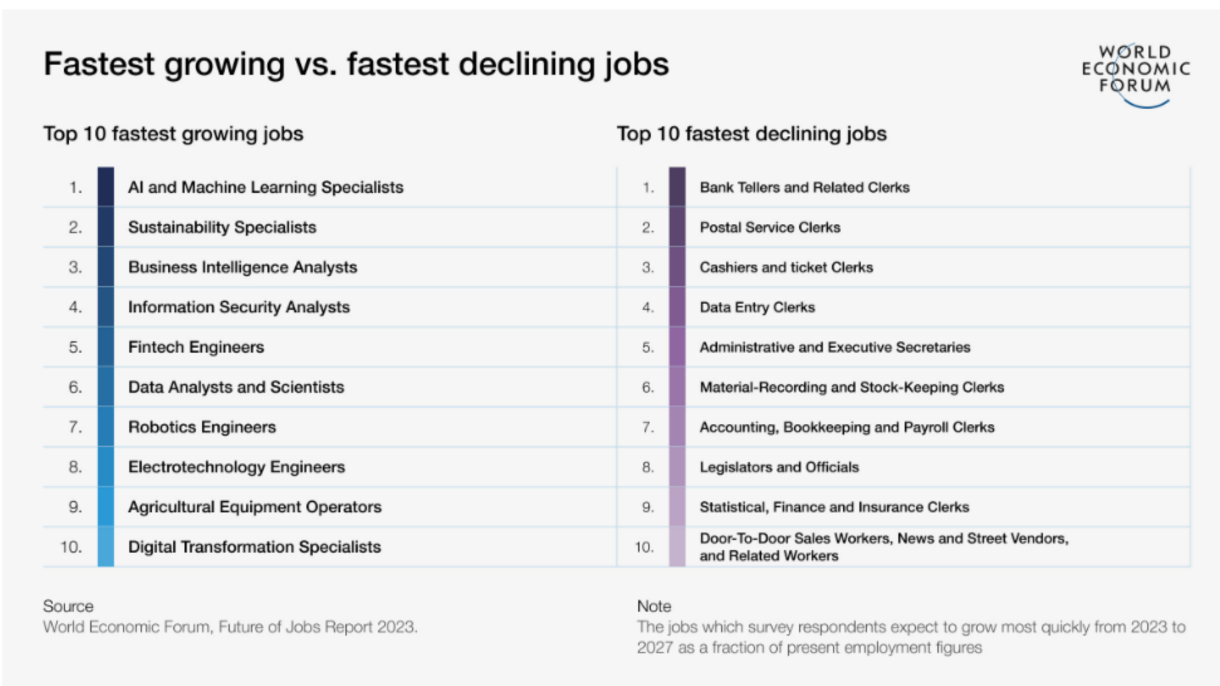
  TNC HQ located in London: Aviva, Prudential, Standard Chartered

- TNCs related to technology firm tends to locate in areas with high amount of tech graduates such as in California – California Institute of Technology, Stanford, UC Berkeley



Different types of skillsets influence TNC's locational decision-making process and **we must be also be mindful of which aspect of the TNC's GPN are we talking about, is it their headquarters or their production plants as these different aspects of the TNCs require different types of labour**.

The world economic forum in 2020 forecasts these to be the in demand and out of demand type of jobs (source: WEF, 2023)



Fastest growing vs. fastest declining jobs

WORLD ECONOMIC FORUM

	Top 10 fastest growing jobs		Top 10 fastest declining jobs
1.	AI and Machine Learning Specialists	1.	Bank Tellers and Related Clerks
2.	Sustainability Specialists	2.	Postal Service Clerks
3.	Business Intelligence Analysts	3.	Cashiers and ticket Clerks
4.	Information Security Analysts	4.	Data Entry Clerks
5.	Fintech Engineers	5.	Administrative and Executive Secretaries
6.	Data Analysts and Scientists	6.	Material-Recording and Stock-Keeping Clerks
7.	Robotics Engineers	7.	Accounting, Bookkeeping and Payroll Clerks
8.	Electrotechnology Engineers	8.	Legislators and Officials
9.	Agricultural Equipment Operators	9.	Statistical, Finance and Insurance Clerks
10.	Digital Transformation Specialists	10.	Door-To-Door Sales Workers, News and Street Vendors, and Related Workers

Source
World Economic Forum, Future of Jobs Report 2023.

Note
The jobs which survey respondents expect to grow most quickly from 2023 to 2027 as a fraction of present employment figures

Wages and Labour

Wages of the labour are a key factor in distinguishing between labour of similar skill sets. If skill set of the workers are similar, the wages are often the tie-break factor (after considering other costs – transport, infrastructure, raw materials etc).

While there used to be a race to the bottom in terms of wages, such consideration often applies more to manufacturing sector where low-skilled labour are utilised. TNCs often choose the cheapest labour to manufacture/assemble the finished products to be sold.

For in-demand skills and higher skilled labour, wages are less competitive and more elastic, with companies willing to pay very high for talents.

Labour Unions

Labour Unions are organization of workers intent on maintaining or improving the conditions of their employment. The union will often have representatives to negotiate on behalf of the workers.

The strength of the union lies in it being a collective force if all the workers within it are united together to go against the state or the TNC in negotiating for better wages and rights (often working conditions, employment leave) for the workers.

There exist a contentious relationship between Unions, TNCs and States with TNCs and States often arguing that unions are 'bad for business' and many corporations denying workers the opportunity to start unions. Instances of unions going against TNCs or States would be when the union organise collective strikes which can cripple the operations of TNCs and States until they give in to the union demands.

For instance, the Economic Policy Institute found that Unions help to advocate for workers rights and wages against corporation and states. E.g. for the 17 U.S states with the highest union density their workers have in terms of:

Income and economic protections for the 17 US States with highest union density

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

Health and personal well-being for the 17 US States with highest union density

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

source: https://www.epi.org/publication/unions-and-well-being/

Union against TNCs and states

In these cases, Unions which are a banding together of labour often have strong negotiation power against TNCs or the state. Unions can represent workers in negotiating for better salary against TNC or against the state to mandate minimum wage law.

For instance, in 2023 Teamsters Union, helped to negotiate a tentative contract agreement with UPS that secure wage increases for the 340,000 workers it represents and narrowly averted a nationwide strike after weeks of stalled negotiations. This helped raise wages for existing workers to no less than $21 per hour, and it is one of the most lucrative contract in labor history.

However, this is not always the case across different countries or against different TNCs. There are instances where TNCs are very hard on unions. It is noted from the Economic Policy Institute that corporations spend more than US$400 million per year on 'union avoidance' consultants to bolster their union busting efforts.

For instance, TNCs like Google spent millions to engage union avoidance consultant and also disciplined and fired employees who attempted to unionized other workers. Nevertheless, the Alphabet Workers Union organised in secret and eventually formed a union consisting of more than 400 Google engineers and other workers. Companies like Walmart and Amazon also tries to avoid unions by actively paying workers to report on other workers trying to organise and form union within their stores/warehouses.

There are also countries that actively suppress unions through legislation such as not allowing registration of new unions and there is state repression of independent union activity. For instance, countries like Belarus, Egypt, El Salvador, Jordan, Hong Kong(city-state) and Iraq; suppressing labour rights to represent.

The practice of union-busting has seen more and more workers blocked from being able to form and join trade unions. In 2020, Uber, Lyft and DoorDash mounted the most expensive such campaign in California's history, Proposition 22, to fight AB5, a new state law that classified certain categories of gig workers as employees.

The ten worst countries for workers in 2021 are the following: Bangladesh, Belarus, Brazil, Colombia, Egypt, Honduras, Myanmar, the Philippines, Turkey and Zimbabwe.

The 10 worst countries for working people

Bangladesh	Honduras
NEW – Belarus	**NEW** – Myanmar
Brazil	The Philippines
Colombia	Turkey
Egypt	Zimbabwe

The worst region in the world

Middle East and North Africa

Violations of workers' rights

87%

Right to strike
87% of countries violated the right to strike.

79%

Right to collective bargaining
79% of countries violated the right to collective bargaining.

74%

Right to establish and join a trade union
74% of countries excluded workers from the right to establish and join a trade union.

65%

Right to justice
In 65% of countries, workers had no or restricted access to justice.

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89 109

Right to trade union activities
The number of countries which impeded the registration of unions increased from 89 countries in 2020 to 109 in 2021.

Right to civil liberties
Workers were detained and arrested in 68 countries.

Violent attacks on workers
Workers experienced violence in 45 countries.

Right to free speech and assembly
The number of countries where freedom of speech and assembly was denied or constrained increased from 56 in 2020 to 64 in 2021.

Murders
Trade unionists were murdered in six countries: Brazil, Colombia, Guatemala, Myanmar, Nigeria and the Philippines.

State and Labour

In some ways, states are actually caught in the middle, government of countries want their citizens (the labour) to have good salary, employment benefits and insurance, ideally provided by the TNCs. However, if there are high demands and mandates on employers, the country would not be very attractive for TNCs to invest in, as it would definitely increase the cost of labour.

Remember that the cost of labour is not just wages, it can be health benefits, how many mandated day off per week, different type of employee rights as well.

For instance, Belgium became the first country in Europe to legislate for a four-day week.

In February 2022, Belgian employees won the right to perform a full workweek in four days instead of the usual five without loss of salary. The new law came into force, allowing employees to decide whether to work four or five days a week. But this does not mean they will be working less – they will simply condense their working hours into fewer days. The goal is to give people and companies more freedom to arrange their work time. Belgian prime minister Alexander de Croo said he hoped that the change will help to make Belgium's notoriously rigid labour market more flexible and will make it easier for people to combine their family lives with their careers.

In Singapore, the Ministry of Manpower mandated that by end 2022, Migrant workers must have a 24 hour rest day a month and that day cannot be compensated by pay. Other laws to protect worker rights include from 2022: doctors must record the body mass index of domestic workers, and check for signs of suspicious and unexplained injuries, as part of the workers' half-yearly medical examination. This is to better detect signs of abuse.

Singapore also have employment act which protect workers against a range of issues such as workplace abuse, leave entitlement, unfair retrenchment and salary disputes. There are also constant amendment to laws to cater to new type of workers- such as protecting gig workers and making employers giving them more benefits, such as compulsory insurance and compensation for food delivery riders or private-hire drivers when they get into accidents or suffer injuries if the incidents happen at work.

There can also be instances where the state work with TNCs and Labour in a Tripartite approach to find win-win solution and appropriate legislation to strike a balance between all parties to ensure the economy can function in a more smooth manner instead of constantly being hampered by strikes and protest. Once such instance is Singapore which utilize this tripartite approach.

Impact of TNC's decision on labour

TNCs decision on invest in a country or to withdraw from a country can affect the regulation of labour by states as well.

For instance, Singapore's desire to become an aerospace hub and biotech hub to attract TNCs like Rolls Royce, Boeing made it focus on opening courses in polytechnics and universities that focuses on Aerospace engineering. Singapore has catered for more pharmaceutical courses in its universities in a bid to attract such TNCs. The rise of the tech companies have also created increase availability and training opportunities to upskill current works to have the skills to work in technology firms.

TNCs can also help states develop their labour force to create win-win long term relationships with the countries. For instance, Samsung had invested $220m in and R & D hub in Vietnam to upskill the workers and to maximise profits for Samsung (think about why).

Similarly, there are countries that are flagged out for not doing enough to help the workers in favor of TNCs.

Companies violating workers' rights

- AlbChrom, **Albania**
- Saybolt Tex, **Bangladesh**
- Tanaz Fashion, **Bangladesh**
- Windy Wet & Dry Process, **Bangladesh**
- Naftan, **Belarus**
- EPAM Systems, **Belarus**
- JSC Peleng, **Belarus**
- OJSC Grodno Azot, **Belarus**
- Polotsk-Steklovolokno, **Belarus**
- Embraer, **Brazil**
- Nestlé, **Brazil**
- Cambodian Airport Management Service, **Cambodia**
- SuperI, **Cambodia**
- Greenfield Industry, **Cambodia**
- Co-op Refinery Complex, **Canada**
- Brinks, **Colombia**
- Tapachula, **Costa Rica**
- Fyffes, **Ecuador**
- Ceramica Granito, **Egypt**
- Delta Company for Fertilisers and Chemical Industries, **Egypt**
- Orascom, **Egypt**
- FTM Garments, **Eswatini**
- Ikea, **France**
- Satram, **Gabon**
- The Georgian House, **Georgia**
- Foodora, , **Germany**
- Marriott Sheraton, **Guinea**
- Premium Apparel, **Haiti**
- Cervecería Hondureña (AB InBev), **Honduras**
- Cathay Pacific, **Hong Kong**
- Bull Clothing, **Lesotho**
- Bozashy Trans Kurylys LLP, **Kazakhstan**
- Oil Construction Company LLP, **Kazakhstan**
- West Oil LLP, **Kazakhstan**
- APM Terminals, **Liberia**
- Malaysia Airlines, **Malaysia**
- Airports of Mauritius Ltd., **Mauritius**
- Mauritius Post Ltd., **Mauritius**
- Aroma, **Moldova**
- Amanor, **Morocco**
- Compagnie Minière de Touissit, **Morocco**
- Rössing Uranium Mine, **Namibia**
- Backus and Johnston (AB InBev), **Peru**
- Falabella, **Peru**
- Summit Autotech, **Poland**
- Truda Foods, **South Africa**
- Volkswagen, **South Africa**
- Samsung, **South Korea**
- State Railway of Thailand, **Thailand**
- Gartex, **Tunisia**
- Özer Elektrik, **Turkey**
- Ünal Kablo, **Turkey**
- Sampa Otomotiv, **Turkey**
- Deliveroo, **UK**
- Doordash , **USA**
- Amazon, **USA**
- Facebook, **USA**
- Google, **USA**
- Uber, **USA**
- Lyft, **USA**
- Bata, **Zimbabwe**

These companies violated workers' rights, are linked to a violation of workers' rights, or failed to use their leverage to address workers' rights violations. The violations can be read at www.globalrightsindex.org

Points to Ponder:

Labour is an important and necessary part of the global workforce, TNCs and States both have interest in labour, but there are always conflicts of interest.

TNCs want:

- TNCs want skilled labour that can help them create products/services that can earn higher profits
- TNCs want the cost of labour to be as low as possible so that they can minimize costs
- TNCs also want to avoid giving benefits to labour if possible, but TNCs are also competing for skilled labour and they have to **use wages and benefits to attract the <u>most skilled labour</u>**

States want:

- State wants TNCs in their country, the more corporations there are, the more potential employment opportunities it can create in the country.
- The more corporate tax the TNC can pay which in turn becomes revenue for the State to run the country and to invest in various infrastructure
- State wants to protect their workers, but also want their labour to be catered and capable to attract TNCs

Labour want:

- Good salary
- Good benefits
- Protected from abuse from the workplace

What is the optimal way to balance these competing wants in the global economy?