

**GIDR WORKING PAPER SERIES**

**No. 212 : December 2012**

**Situating Labour in the  
Global Production Network Debate:  
As if the 'South' Mattered**

**Keshab Das**



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**Gujarat Institute of Development Research**  
Ahmedabad

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First Published    December 2012  
ISBN                81-89023-69-1  
Price                Rs. 40.00

## Abstract

Through an extensive review of global literature, the basic purpose of this paper is to contextualise and highlight the issue of labour and working conditions in industries in the global South engaged in subcontracting operations under the control of transnational corporations. The imperatives to understand the labour processes and strategies of labour agencies in the South under global production networks or international subcontracting arrangements deserve attention in view of the rapid advances in globalization of production and the related promises carried along for employment creation, decent work and the promotion of international development goals, including reduction of poverty. Part of the concern relates to the so-called 'dominant' literature on the subject, notably in the realm of management and business organisation studies, which fails to recognise the formidable phenomenon of informality in both the labour and production processes and hardly engages in issues in the role of labour institutions across spaces of work – from local to national to supranational. The review also brings into consideration a deliberate undermining of *process* standards (in contrast to *product* standards) that evades dealing with the persistent exploitative work arrangements especially at the lower tiers of the commodity chain. This has led to unverifiable optimistic conclusions about the outcome of globalization processes.

Keywords : Global production networks; Labour; Labour agency; Informality; TNCs

JEL Codes : L14, L24, J41, J80, J81, F23, L24

## Acknowledgements

This paper was written at the International Institute of Social Studies (ISS), The Hague, The Netherlands during a recent visiting fellowship under the ICSSR-NWO Social Science Scholar Exchange Programme. For suggestions, comments and interacting with interest, thanks are due Mansueto F. de Almeida Jr., Stephanie Barrientos, AJC Bose, Chris King Chi Chan, Amrita Chhachhi, Joy Clancy, Paulo Jordão Fortes, Des Gasper, Rachel Kurian, Khalid Nadvi, Tara Nair, Lee Pegler, Frank Pyke, C. Rammanohar Reddy, Werner Sengenberger, Karin Astrid Siegmann, Rudolf Sinkovics, Meine Pieter van Dijk, Joop de Wit and Nonita Yap. Meaningful engagement by participants at the seminars presented at the ISS, Gujarat Institute of Development Research, Ahmedabad and Manchester Business School, UK had been of help. Special thanks are due to Peter Knorringa whose deep involvement in the several rounds of discussions and material support were invaluable; he so wittily conceived the title of the paper. For all that could not be improved upon in this paper, I remain solely responsible.

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# **Situating Labour in the Global Production Network Debate: As if the 'South' Mattered**

*Keshab Das*

## **1. Introduction**

Germinating during the late 1970s and early 1980s, neoliberalism as a dominant strategy of economic configuration had developed deeper roots and taken some distinct shapes as well certainly by around the mid-1980s (Harvey, 2011). It is possible to discern, around since, a decline in barriers to trade and opening up of economies in an increasing pace in a large number of developing economies in Asia, Africa and the Latin America. That by around the same period, with the deepening of neoliberal tactics, neolocalism (Das, 2004: 4923), that emphasized that the 'local' could prosper only when it develops interconnectedness with the 'global', found tremendous acceptance as a strong market-friendly premise was not just an innocuous coincidence.

The transnationalisation of production and its various processes has come to be a dominant strategy of business by global lead firms, typically headquartered in developed nations and having subcontracting operations mostly in developing economies in the so-called global South (or, just South). In these transactions, unfolding as under new forms or varieties of capitalism<sup>1</sup> and articulated through types of production organization - described severally as GCC/ GVC/ GPS/ GPN<sup>2</sup> - the transnational corporations (TNCs) control

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<sup>1</sup> Which include co-option of the state (at all levels) by global capital and/or even the national state allowing for global capital's involvement. For a recent discussion, see, McNally (2013).

<sup>2</sup> GCC – Global Commodity Chain; GVC – Global Value Chain; GPS – Global Production System; and GPN – Global Production Network. These are neither quite the same nor interchangeable as often construed. While GCC and GVC are closely organized and directed (as the supply chains) by the so-called lead/anchor firm(s) GPS and GPN represent a 'maturing' of the production organization that recognizes the complexity and diversity of several actors and institutions and their interactions beyond that relates to the lead firm(s).

the value chains in a substantive manner. While often the design, planning and post-production strategies (including, product promotion, marketing, after-sales services and disposal post-consumption) remain with the TNCs the procurement of raw materials (in the form of commodities), processing, assembling or manufacturing of labour-intensive components, usually, are subcontracted to the developing and poor nations. Notwithstanding the argument that such GPNs not only create large scale employment opportunities in the developing nations, but also facilitate transfer of skill and technology that build up a stronger local economy, empirical evidence supporting the assertion is conspicuous by its absence.<sup>3</sup> Additionally, the view that local producers would benefit from the larger demand base and scientific management practices including logistics that the global buyers bring along has been corroborated hardly by verifiable facts.

With this backdrop, the central purpose of this paper is to contextualise and highlight, through an extensive review of literature, the issue of labour and working conditions in industries in the South engaged in subcontracting operations under the control of TNCs. The issue deserves attention in view of rapid advances in globalization of production and the related promises carried along for employment creation, decent work and the promotion of international development goals, including reduction of poverty. Part of the concern relates to the dominant literature on the subject, notably in the realm of management and business organisation studies, which neglects or omits aspects of labour and labour institutions. It is disturbing that a significant stream of research loses sight of the persistent exploitative

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<sup>3</sup> Even as TNCs have generated employment opportunities through a system of global subcontracting and other linkages, their employment policies have been such that while within a “given *sector* they have declining flexibility in substituting capital with labour,... in labour-intensive operations they seek low-cost and low-risk *countries*” (Simai, 1995: 237. Emphasis ours.). That there has been a definite growth in the ‘contingent’ labour across the globe, mainly propelled by the search by TNCs in the industrialized West for labour at low costs and flexible terms. “It is part of employers’ strategies on the size and shape of the corporation, seeking to become slim, agile, and responsive, as the language of the lean corporation puts it, differentiating between a relatively small core of employees who require or possess core competencies and temporary, outsourced, and in-sourced labour at the margin....It would seem likely to continue the trend toward a greater number of people in the labour market experiencing insecurity, discrimination, and exclusion even as rates of unemployment fall (Purcell and Purcell, 1998: 57).

work arrangements especially at the lower tiers of the commodity chain and, hence, arrives at unjustified optimistic conclusions about the outcome of globalization processes. By construing labour in the South, specifically, as merely adding value but *not* as an intrinsic 'subjective' part of the process of production, the dominant/typical analyses of GPNs have placed extraordinary emphasis upon the power and strategy of lead firms (Rainnie et al., 2011: 155). Moreover, Knorringa and Pegler (2006) establish that even upgrading of the supplier firm in the South does not lead to improvements in labour conditions largely due to the fact that these workers engage in relatively low-skilled production activities; this is, to an extent, applicable to the core workers as well.

### **Paucity of GPN Data on TNC Level Transactions**

There have, nevertheless, been analyses which tend to suggest that GPNs not only are contingent upon global demand changes, but also rarely help local producers to upgrade in the value chain. In fact, as Hayter's (2004) excellent review of GPS cases across several economies points out, the relatively short history of functioning of the GPS has, at best, brought out mixed experiences depending often upon the sector and/or region in question. It is clear that the GPS does not *automatically* ensure upgradation into the GVC; the positioning in the chain would matter as much as the macro conditions within which participating firms operate. Scholars have expressed serious concern regarding the unequivocal merits of treading the GVC route, suggesting care be observed in the likely incidence of the 'downside' of the strategy, especially while dealing with the developing economies (Knorringa and Mayer-Stamer, 2008: 30-34).

Further, the specificities of 'projects' (the component outsourced under subcontracting or jobwork deals) of TNCs vary widely leaving little scope for a given skill being of use in another activity. The real challenge for the local producers remains their lack of *direct* access to and absence of knowledge about the wider market. The advantages of division of labour, thus, largely favour the buyers who could also be extremely selective in choosing a local subcontractor. In fact, the criteria for selection of local producers often are so demanding that only a miniscule of firms can avail of the contract; this is especially the case when the sector in question is dominated by huge number of micro and small enterprises. Moreover,



even the countries chosen for a certain process to be subcontracted are based not only on the degree and nature of trade openness in place, but the level of technology and formal professional attributes of the workers of these countries are endowed with. It is important to recognise that the myriad instances of sweatshops being run and promoted through the GPNs could be traced easily to poorer economies with low levels of technical education as also weak institutional structures that provide little to protect its firms and workers from vulnerability and insecurity (see, for instance, papers in Ross, 1997 for the garment and fashion sectors; Sussman and Lent, 1998 for the IT sector; and Pegler, 2009 for cases in labour intensive sectors in Brazil).

While a certain set of authors has been highlighting the ‘inevitability’ of GPNs in linking the ‘local to the global’ the usual emphases have mainly been ‘linkages’ between TNCs and SMEs in developing countries as could be mediated through logistics, standards as also inter-country and/or inter-trade block coordination (Henderson et al., 2002; Coe et al., 2004; and MacKinnon, 2012). While such studies have proliferated rapidly during the last two decades or so, the findings and strategies suggested through these have been least helpful in appreciating structural constraints facing developing and poor nations. The strategic omission of references to significant prevalence of informality in production and labour processes in such countries is a case in point. Much of the literature on ethical sourcing, for instance, is steeped in private standards set by the TNCs and/or representative organisations, usually based in the industrialised West, with scant attention paid to the potential of domestic market growth and even long-term sustainability of business in the supplying countries.

At another level, despite the emphasis upon transparency and good governance in such transactions, practically no formal *comprehensive* database on GPNs *by TNC or lead buyer* exists that would provide disaggregated information regarding the volume of trade, list of enterprises being engaged as subcontractors (even as the numerous informal enterprises are never known), number of workers involved, lead firms, sectors/subsectors by country, region and over the years, not to speak of the nature and terms of

these subcontracting arrangements.<sup>4</sup> Such database would not only present a comparative picture of the growth, performance and dynamics of GPNs spatially and temporally, but also would have important implications when violations of contracts or safety take place; it would help identifying the nature and source of responsibility.

### **Labour Agency and GPNs**

Even as the growing literature on GCC/ GVC/ GPS/ GPN had been discernible since the early 1990s<sup>5</sup>, for about a decade until the early 2000s, labour as an integral and key element/actor in the global production configuration had hardly found mention. As Coe and Jordhus-Lier (2010: 221) observe,

“the GPN literature – and, indeed, cognate work on global commodity/ value chains (GCCs/GVCs) – has remained notably silent on the issue of labour agency. Labour is, most commonly, simply assumed to be an intrinsic part of the production process and workers are typically presented as passive victims of capital’s inexorable global search for cheaper wages.”

The literature remained excessively preoccupied with issues in ‘networking’ and ‘managing’ production at a global scale, with the unflinching mast-head remaining under the direct control of the TNCs, typically headquartered in

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<sup>4</sup> One may, however, refer to the very recently compiled data in Sturgeon and Memedovic (2011), Baldwin (2013) and OECD-WTO TiVA database (<http://www.oecd.org/industry/ind/measuringtradeinvalue-addedanoecd-wtojointinitiative.htm> Accessed July 21, 2013) which observe that value addition, in fact, has grown in the South through GVC activities. Similarly, UNCTAD (2013: 156-159) alludes to GVCs and job creation data in a cursory manner. But what is missing in these publications of global trade-industry bodies viz., WTO, UNIDO, UNCTAD and OECD is the annual accessible time series database by sector/ subsector/operation, number of subcontractors, workers, value of work order, country and by lead firm. Further, in all these recent sporadic attempts at building up data on GVCs, the concern lies in unraveling the missing information on firms, workers, wages and output in the subcontracted operations under GVCs as undertaken by numerous Tier II and Tier III enterprises. A discussion on *terms* of subcontracting in these documents remains absent.

<sup>5</sup> The burgeoning of studies in the area was mainly driven by the publication of Porter (1990 and 1998), Gereffi (1999), and Gereffi et al. (2001). Also, see, all other articles in the Special Issue on ‘The Value of Value Chains’ of the *IDS Bulletin*, 32 (3), 2001.

the so-called North. The discussions, so obviously in the ‘service of capital’, were immersed in the transactions of commerce, supply chains and organizing finance that the question of labour – not to speak of the varieties within that and the labour agency to address their concerns – hardly figured. With an additional obsession with the then-celebrated network theories<sup>6</sup> studies on GPNs distanced itself from paying attention to the specific role of labour and labour agency.

In a different but related sphere, the ‘excitement’ generated in a somewhat related area of global production (or, rather, subcontracting) activity, namely, industrial clusters<sup>7</sup> again issues concerning capital, technology/innovation and commerce dominated the deliberations.<sup>8</sup> Maintaining a ‘strategic silence’ on the question of labour in the MSME clusters, especially in the developing and poor countries (Galhardi, 1995; Das, 1999 and 2005) was quite a glaring act of omission, even as an acclaimed protagonist on the subject had alluded to this dimension on a single occasion early on (Schmitz, 1990), but never again! Interestingly, the avalanche of cluster development programmes (CDPs) and approaches those influenced myriad such initiatives in developing and poor economies never included the labour dimension as a key component in these interventions.<sup>9</sup>

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<sup>6</sup> Which were brought into focus through influential studies as on embeddedness, social capital, trust, networks, etc. (inter alia, Granovetter, 1985; Putnam, 1993; and Woolcock, 1998). However, not too late, criticisms were building up if the concept of networking was not too over-rated insofar as these were *not* to replace conventional forms of collective action, especially, of the labour, including small and marginal producers. See, for instance, Markusen (2003) and Rainnie et al. (2011).

<sup>7</sup> Which were seen as conduits linking global buyers to local producers through the participation in the GVCs.

<sup>8</sup> See, for instance, Das (1995); and the 1999 Special Issue of *World Development*, 27 (9) on ‘Industrial Clusters in Less Developed Countries’.

<sup>9</sup> Almost since the mid-1990s, UNIDO spearheaded such CDPs in several developing countries across the globe. Even the ‘Triple C’ approach (representing customer-oriented, collective and cumulative) to promoting clusters would not touch the subject of labour (Humphrey and Schmitz, 1996). However, this is not to discredit efforts by the ILO to intervene in cluster development, although much of such initiatives related to skill development, workers training, etc. (see, for instance, Sengenberger, 2009). Despite labour concerns remaining the ‘raison d’être’ in most of ILO’s studies on clusters, these either hardly influenced policy in developing economies or critiqued the on-going discussions on GPNs that treated the labour issues with nonchalance.

Nevertheless, during the 1990s and beyond, startling accounts of exploitation and violent repression of labour in the southern firms engaged in GPNs were forthcoming highlighting the plight of workers in these so-called 'sweatshops'.<sup>10</sup> These included detailed accounts, for instance, in the garment sector (Ross, 1997; Bonacich, 1994) and several cases from the southern factories (Bales, 2000; Gibbon and Ponte, 2005). It is interesting to note that the literature emanating from the 'GPN-optimists' (as I classify them) during the 1990s hardly ever made a reference to these and several other well-known studies and, moreover, frequent reports in the popular newspapers in the western world on workers and working conditions in the TNC-driven global firms in the South.

However, by around 2000, it was difficult not to acknowledge the labour question in GPNs and one notices a set of writings emerged during then that attempted to articulate issues in labour and the role of labour agency under global production. Albeit it is easy to discern the two separate paths these studies have trodden. First, as pointed out by Cumbers, et al. (2008: 371), a distinct strand of such new literature explored what may be termed 'labour geographies', that enquired into the "labour responses to globalization, capital flight and the emergence of global systems of production".

These studies took cognizance of the newer forms of conflict between capital and labour that were unfolding in the process of scaling up of sites of labour, from local to supranational. For instance, Castree (2000), taking the case of striking dock workers of Liverpool, reflected upon 'scales of labour struggle'. Similarly, Herod (2001) dealt with a number of cases of struggles by workers (as in the sectors of garment making, containerization, longshoring, etc.) and underscored the relentless presence of the global capital's 'spatial fix' (Harvey, 1982) and local labour's continued resistance (and success, at times, in parts) through collective action often consolidated beyond national boundaries. In fact, a recent study (Selwyn, 2012)<sup>11</sup>, based upon detailed case study of grape production in Sao Francisco Valley in

<sup>10</sup> As Stein (1977: xv), in his classic treatment on the theme, described, "The sweatshop is a state of mind as well as a physical fact. It demeans the spirit by denying to workers any part in determining the conditions of or the pay for their work. In the sweatshop, employers may discharge at will workers who protest against conditions or pay. The sweatshop, whether in a modern factory building or a dark slum cellar exists where the employer controls the working conditions and the worker cannot protest".

<sup>11</sup> Reviewed in Werner (2012).

Brazil, resonates similar concerns of globalized capital's power to decimate local labour unions and co-opting the state to create a 'Third Way' of social democracy. In the Gurgaon automobile cluster in India, producing for the global auto companies, field surveys revealed rampant practices of informal dealings with labour including low wages, long working hours and poor working conditions. It has been held that

“the internal segmentation of labour force and the combined and uneven development of production process and technology in the cluster become instrumental for capital to expropriate larger profit and to transfer its crisis. This observation stands against the argument of a unilinear understanding of social or technical upgrading, and poses a need to understand these categories as embedded in the ‘unevenness’” (Jha and Chakraborty, 2012: 20).<sup>12</sup>

Addressing specifically the workers or rather small producers at the margins (or, those as the first link in the GPNs), scholars have expressed concern at the absence of a labour agency in these forms of ‘adverse incorporation’, whereby the unequal power relations, remoteness (both social and territorial) of the producers from the realms of markets and consumption and various forms of social exclusion from institutions could undermine participation in these GPNs. Commenting on such ‘cosmetic’ participation, Ponte (2008: 28) observes, “When the choice of value chain engagement (or disengagement) is not available, sustainability standard initiatives can help, but more likely when they have been devised with meaningful participation of Southern stakeholders to begin with.” Typical examples in these studies have been from the agro-food and mining sectors in African regions which are closely intertwined with GPNs organized by TNCs in the North.<sup>13</sup>

These studies were also complimented by scholars who proffered exacting critiques of the GPN approach that suffered from ‘firm-centrism’ (Bair, 2005; Gibbon et al., 2008), and ‘network essentialism’ (Taylor, 2007). The GPN studies, it has been held, have reduced “the analysis of capitalism to that of the firm and inter-firm relations, eliding questions of class, gender, agrarian social relations, relations of production, and the position of nation-

<sup>12</sup> Also see, for recent evidence of violent suppression of workers’ rights in the automobile industry in the same region, Bose and Pratap (2012) and Bose (2013).

<sup>13</sup> Some of these studies include, for farm produce, duToit (2004); duToit and Ewert (2002); and Fisher (2007); and for minerals, Cumbers et al. (2008) and Nathan and Sarkar (2011).

states and regions in global trade” (Werner, 2012: 1). Moreover, as Smith et al. (2002: 58) would argue,

“While we have acknowledged the limitations of a dualistic focus on buyer-driven and supplier-driven chains, we would argue that this set of perspectives enables researchers to identify those agents that govern the organization of flows of value. Yet we have also argued that it is not enough to focus upon suppliers or buyers, but that other ‘agents’, including organized and unorganized labour and supranational, national and local states, play crucial roles in the governance of value and activity across value networks.”

It is useful to note that such literature critical of the GPN approach – that chose to be ignorant about the ontological and epistemological analyses of the dynamics of labour in global production arrangements – has now grown to be a major body of scholarship. Quintessentially, these studies have been indifferent towards the buyer-supplier-chain-obsessed GPN literature which has not only been apolitical but has been emaciated being irresponsive to the reality of global production processes that works as an active arm of the functioning of neoliberalism, the still-dominant yet-discredited strategy of capitalism.

The issue of labour agency, thus, has been visualized not only through the strengthening of workers’ rights locally vis-à-vis the immediate capital as employer, but also through building solidarity with workers groups vertically and horizontally across the spaces of work, globally. These studies envisage better coordinated and strategically-configured roles for the trade unions, not confined only to bargaining for a higher share of the workers contribution to the generation of surplus value. These studies, expectedly, bring into focus gender bias in workplace, immigrant status and denial of entitlements, among others. It should be obvious that these strategies for setting different terms of engagement with labour would rarely find favour with the ‘straightjacket’ conceptualization of GPNs. As in a broad-sweep review of ‘structure-labour agency’ in global production, Coe and Jordhus-Lier (2010) launch a scathing attack on analyses of geographies of labour, as, as it were, these broaden the scope of enquiry beyond the buyer-supplier realm. The criticism, aimed at dismissing the discourse on the geographies of labour, however, appears to have burdened by its own muddled position, as could be construed from the following observation:

“Hence, we are not trying to relieve workers of their analytical significance. Our main argument... however, is that if labour geography is to offer researchers a better analytical framework – one which can explain why some workers’ actions seem to matter more than others – a more sophisticated understanding of the structural constraints and social relations that shape labour’s agency potential is required. Notwithstanding the significance of the efforts to ‘reclaim’ labour agency from the grip of capital, we want to encourage the re-embedded understanding of this concept we see emerging in the field of labour geography” (Coe and Jordhus-Lier, 2010: 228).

Almost as an antipodean stance, those scholars who continued to be optimistic about the ‘win-win’ consequences of GPNs – for both buyers and producers under neoliberal regimes – positioned their concerns for labour to be mediated through institutions of state, private sector or civil society, or any combinations thereof. Refusing to be drawn into the realm of rights of the labour – that could be under perpetual threat of the sceptre of capital – these proponents have come up with a hugely diverse set of ‘models’ or ‘strategies’ that could not only engage multi-actor and multi-scalar platform to address the contentious issues of factor payments, but, in fact, introduce standards, preferably the ‘measurable’ ones. In such complex configurations the negotiations towards ‘economic and social upgrading’ of the producers or the labour would be effected through a semblance of a labour agency that could be a hybrid of the trinity of the state, private sector and the civil society including the trade union. The emergence of CSR is the front-runner of this intricate churning.

By early 2000, studies had begun entailing ‘complementary’ roles by diverse stakeholders (institutions included), with engaging-the-state as a key proposition. Jenkins (2001: 20-22) in the UNRISD paper had already listed out codes of conduct for the labour to be complied by the corporate sector, hinting at the recognition of neglect of labour in the global production spaces. In an interesting account of developing private codes of conduct or certification for global production, Bartley (2003) analyses the role played by NGOs (through social movements) and the neoliberal institutional context. As on the latter, he observes that

“A neo-liberal institutional context encouraged states and NGOs to build private regulatory associations, by limiting opportunities for

governmental and intergovernmental regulation. In this context, states offered support for private regulatory initiatives, sometimes after being constrained in attempts to develop governmental or intergovernmental solutions. Ironically, then, public agencies are in large part responsible for the rise of private regulation....To be clear, it is a neo-liberal institutional context that explains why certification has emerged in the form of private rather than governmental or intergovernmental systems” (Bartley, 2003: 456-457).

With the eventual passing of the baton of framing codes of conduct for labour (as also for other standards) to the private sector, the TNCs moved faster and seem to have consolidated their efforts (Esbenshade, 2004; O'Rourke, 2006). While debate continues as to the propriety of the private sector (read TNCs) to formulate and enforce codes of conduct for labour under GPNs<sup>14</sup>, co-opting the state by the private sector in the so-called multi-stakeholder regulation has been construed by some as a workable strategy to ensure compliance. A certain genre of writings that drew upon the articulation of complementary regulation (usually taking off from Gereffi, 2006) as between the state and private sector continues to flourish since.<sup>15</sup> These include Amengual (2010)'s study of the EPZs in the Dominican Republic, where the TNCs regulation and codes of conduct for labour have helped the state's regulatory mechanism to function better. Similarly, through the case of apparel factories in both Mexico and Guatemala, Rodriguez-Garavito (2005) uses what he terms the empowered participatory labour regulation (EPLR) model to persuade that modification of institutional design to accommodate “countervailing voices” of workers would go a long way in upholding labour standards, if also accountability politics is exercised “by mobilizing institutionalized rules and procedures to which global manufacturers have committed” (Rodriguez-Garavito, 2005: 228-229).

In furthering the complementary regulation option there have been studies showing important changes that have come about in compliance of labour standards in GPNs with state reorienting labour regulation to accommodate codes of conduct. In case of Chinese labour laws, for instance, such change (as the 1995 Labour Laws were modified in 2007-08) has had complex

<sup>14</sup> The apprehension being that if that would discredit the state, ultimately.

<sup>15</sup> Examples include Heidenreich (2012), Lund-Thomsen and Nadvi (2009), Siegmann (2008); Pegler (2009); and Barrientos et al. (2012).



implications as between workers in the state owned and private firms. “The new Labour Contract Law is certainly fraught with difficulties; implementation remains a challenge, many companies continue to flaunt its provisions, and sub-contracting relations in extended production networks make oversight of compliance difficult for global buyers, NGOs, trade unions, and government labour departments” (Lan and Pickles, 2011: 20). In the case of garment factories in Cambodia, the Cambodian government allows the specially-created external agency Better Factories Cambodia (BFC)<sup>16</sup> to inspect working conditions in the units. However, for the buyers

“the question of labor standard compliance appears to figure more prominently at the pre-order stage than the post-order stage. The regression estimates suggest that better labor standard compliance is a necessary condition for producing for reputation-conscious buyers—specialty retailers in particular—but not a sufficient condition for attracting them as other criteria such as price, quality, and delivery time are driving buyers’ sourcing decisions” (Oka, 2011: 15).

What is striking about this massive body of writings of the second type (by the ‘GPN-optimists’) that has surged in both development studies and international business literature during the last decade or less has been that these could sidestep not only the potholes of violation or abuse of labour rights but also the political authority of the national and provincial state. Some of the enduring commonalities in most such studies are discussed in brief.

***Commodity and Labour-intensive Sectors in the Developing and Poor Economies:*** Almost all these studies describe cases of primary commodities, particularly, plantation crops, fruits, vegetables and flowers which are indispensable to make products which are high-valued and perpetually in demand, especially, in countries in the North. Common such products include chocolate, coffee, cigarettes, meat products, palm oil, beverages, processed fruits and vegetables, etc. The commodity sector also includes, in several cases, certain strategic and rare minerals which have huge commercial potential worldwide as jewellery, batteries (a host of primary and secondary cells), hybrid car batteries, computer peripherals, mobile phones, electro-magnetic apparatus, and a wide

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<sup>16</sup> Promoted by the International Labour Organization (ILO).

range of medical, scientific and defence articles.<sup>17</sup> These final manufactured goods are not only consumed in large quantities within the developed countries alone, but are marketed through TNCs typically headquartered therein.

The other set of products frequently cited/ studied in this variety of literature include those primarily draw upon labour intensive processes involving human skill and attention as may be observed in the craft-based activities or that requiring low-knowledge base but repetitive manual labour processes. The typical sectors include garments (the most celebrated and over-studied of examples), soccer balls, leather goods, jewellery and fashion accessories, assembling electronic apparatus, automobiles and their parts, electromagnetic products, etc. In most these cases, the workers belong to such economies which have low levels of development of the productive sectors (manufacturing and processing, mainly), as manifest through weak domestic technological and institutional capacities.

*TNCs as the Dominant or Central Actor:* Despite supposed discussions on complementary roles between key actors in addressing the labour agency and labour codes of conduct, the studies essentially play a second fiddle to the TNCs, which are invariably projected as the central actor/stakeholder that could co-opt the state at different levels as well as the intergovernmental bodies, e.g., the ILO. The successes in labour regulation are mediated through the proactive role of the TNCs, which, it is shown, facilitate efficient compliance of regulations devised as might be by the state and/or intergovernmental agency. The TNCs are also the organizers of local small producers through NGOs (cf. van Wijk and Kwakkenbos, 2012). The TNC-primacy in these studies reaffirms the position that despite the acknowledgement of emerging complementarities in forms and governance of GPNs, the decade-old obsession with ‘lead-firms’ or ‘anchor-firms’ controlling the GCCs/ GVCs has stayed on.

This leads to an additional concern as with such scholarship, that of the notion of global market as synonymous with the single, homogeneous and, necessarily, the high-end northern market. That the dynamics of global production and business between developing or poor nations (with standards

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<sup>17</sup> As Young (2010) informs, “There are 93 strategic minerals that are said to be required, about 61 of them were noted by the Federal Emergency Management Administration (FEMA) in the 1980s. The African continent and Afghanistan are the two primary sources of most of the strategic minerals that are listed, and there is much belief that the instabilities and wars in those regions are really battles for control and access to the minerals.”

and benchmarks for products and labour defined quite at odds with those set for the northern consumers, catered to by TNCs) has failed to be included in the otherwise large arena of discussing GPNs, unravels the deeply-truncated discourse that, nevertheless, cherry-picks semantics of globality or universality (as global standards, GPNs, GVCs and the like connote). Despite the recognition of a *need* for global standards specifications do vary widely across spaces and, particularly, within developing economies. The possibility of *multiple* standards in a *fragmented* global market arena and the manner of addressing the same are complex but real issues yet to find close examination in the GPN literature.<sup>18</sup>

***Implications of Domestic Market for Labour Standards:*** Being essentially exercises in organisation or rather management of production between northern TNCs (lead-firms) and the producers of the South, no reference appears in these studies regarding the nature and extent of influence domestic markets (often large even in certain less developed economies) would have in perpetuating or shaping certain labour processes as production from the enterprises (including those participating in the GPNs) would also cater to the local and/or domestic consumption profile. In fact, the existence of numerous firms, mostly in the informal sector, catering exclusively to the vast domestic market highlights the need for strengthening of domestic policies to ensure better working conditions.

***Trade Unions as Auxiliaries:*** Partly due to the fact of exceptional or no incidence of formal membership in trade unions by the workers engaged in GPNs, even in the discussions on co-opting trade unions these explicit and conventional labour agencies have been assigned a subsidiary or auxiliary role in the GPN framework. As Cumbers et al. (2008: 373) points out the estimate of global membership of all trade unions is as low as 13 per cent and that in itself is highly exclusive of the working class, in general.

### **Informality and the Labour Process: Obliviousness of the GPN Literature?**

Characterised by the absence or dysfunctionality of institutional regulation in both the spaces and processes of production and work, the existence of

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<sup>18</sup> A significant exception is the insightful analysis in Kaplinsky and Farooki (2010: 139-149), which has engaged with the issue of gradual rise of the south in deeply influencing the nature and type of standards as even trade as the consumer preferences would be based not only on price competition but also a growing awareness over product and process standards.

the informal sector has not only been acknowledged to be universal but also has grown over the decades. As a long-term detailed global level study observed, “the informal economy is not a marginal phenomenon for charitable social research, but a fundamental politico-economic process at the core of many societies” (Castells and Portes, 1989: 15). While such informality would vary as between contexts and manifest itself as ‘undeclared’ or invisible status of the worker (implying non-accrual of benefits and rights as would be available to formal labour); unsafe and poor conditions of work (that could harm health or threaten life); dealing with hazardous/ illegal materials or techniques; and fraudulent practices by the management that undermine the authority of financial and legal agencies. The deepening of these processes of informality – which, importantly, has not reduced with the deepening of the process of globalization of business, in fact - has serious implications for production processes those seek a governance framework that allows for freedom and flexibility at least so far as domestic regulations are concerned. The growing and dominant literature on GPNs, quite surprisingly, has kept off a responsive engagement with the nature and ramifications of informality, particularly as these occur in developing and poor economies with whom most global production subcontracting take place. The issue of exploitation of labour including use of children at workplaces operating for TNCs has been a matter of concern in the subcontracting factories of the South.<sup>19</sup>

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<sup>19</sup> Examples include Pillay (2005) for mining sector across the African Continent, Shah (2006), Krog (2011) and Yardley (2013) for several cases of exploitation of labour in terms of paying low wages, denying social security benefits, engaging child labour, poor working conditions and complicity with agencies/contractors that facilitates such indecent work arrangements in GPNs in developing economies. As Yardley (2013) points out, “Bangladesh initially sought to attract foreign investment by creating special Export Processing Zones, which had higher quality buildings and tighter regulations. But as demand from foreign buyers rose, factories began sprouting across the country, including quickly built structures to accommodate the small operators who did subcontract work on tight margins.” Further, an idea about differential treatment to labour by the same TNC in the home country and the country where activities/operations have been subcontracting may be had from an illustration of the automotive major BMW. “The differential application of a Working Time Account (WTA) by BMW partly illustrates this point. In the Regensburg assembly and Wackersdorf components plants (Germany), if employment is terminated the company simply writes off any negative balance due by workers in terms of the WTA company advance payments. Yet, in the Rosslyn assembly plant (South Africa), the company recovers this negative balance. This is despite the fact that, unlike Germany, South Africa does not have a social security benefit for workers during temporary lay-offs that companies implement under conditions of business and economic crisis or downturn” (Mashilo, 2010: 106).

In such trans-border business relocation to developing countries, a prime interest has also been to take advantage of low costs of labour. Given the preponderance of informal labour markets in such economies, it is possible that employment opportunities would rise in certain subsector/activity in a given locality through the operation of GPNs. While those workers within the formal sector (Tier I, typically) could earn a high wage by acquiring *new* skills, the workers in the informal sector, irrespective of whether they participate in the GPNs through contractors, remain deeply disadvantaged by low wages, poor working conditions and no right to bargain. However, an absence of articulation of informality as a key concept in the labour process under GPNs<sup>20</sup> has further underscored the need for fresh thinking on the subject drawing upon realities on ground. Moreover the issue of adhering to certain universally accepted labour standards remains a tricky one as while cost-cutting by engaging informal or unregistered workers acts as a major incentive for the global company, labour regulations have been followed within what are termed 'regulatory enclaves'. As Posthuma (2010: 72) observes,

“Gaps have formed between public and private labour regulation, between regulatory initiatives extended towards regular versus informal workers, and between private corporate auditing programmes aimed at first-tier suppliers in export production and labour in smaller and informal enterprises, also producing for the domestic market.”

This would imply that only a miniscule section of the 'formal' and 'Tier I' labour engaged in GPNs would actually be having a scope to enjoy decent work conditions while a large majority would be unaffected by these efforts to upgrade.

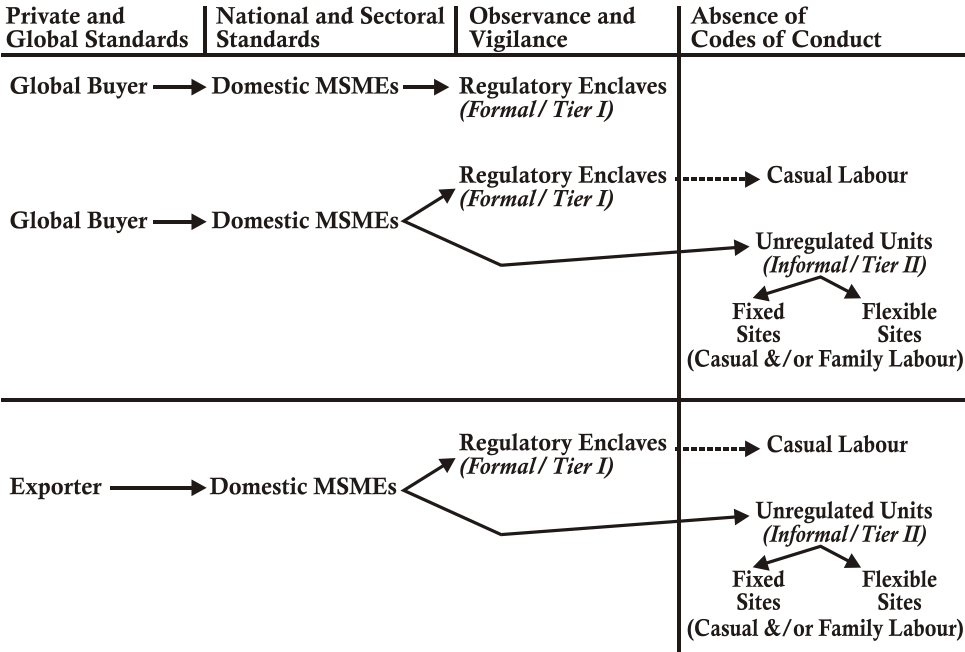
Represented through Figure 1, the typologies of global subcontracting from a developing economy perspective reveal the invisibility of working beyond the so-called regulatory enclaves. Considering a typical GPN whereas the global buyer (or, for that matter, the domestic exporter) engages a local supplier for a certain finished or semi-finished product or process to be undertaken, it is often unclear as to what extent such 'assignment' is carried out beyond the so-called regulatory enclaves that might, to an extent, ensure decent work conditions, including occupational safety. In fact, beyond the

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<sup>20</sup> For instance, a few working papers on labour in the GPNs as at [www.capturingthegains.org](http://www.capturingthegains.org) and even Shepherd and Stone, 2012.

Tire I level, a large part of the job is carried out on *further* subcontracting of the work by the local supplier (through contractors, usually) to the Tier II level which includes the enterprises in the informal sector, often located in the homestead *per se* and/or temporary workshops illegal and unprotected in the real sense of the term. That such practices of local subcontracting to the informal sector enterprises, despite being rampant in developing and poor countries, have hardly figured in the dominant scholarly literature celebrating GPNs remains a matter of concern (see, for instance, Bales, 2000; and Gibbon and Ponte, 2005). In fact, the undermining of the issue of the downside of GPNs, keeping the interests of the developing economies and the actual dynamics of such international production subcontracting has been a serious lapse in research that needs to be brought centrestage.

**Figure 1: Typologies of Global Subcontracting**



Source: Author’s conceptualization.

Nevertheless, recognising the existence of various labour codes of conduct and “given the continuing vulnerability of branded lead firms to challenges of non-compliance within their dispersed supply chains, and the growing costs associated with dealing with a multitude of standards, there have been attempts towards greater harmonization of standards” (Lund-Thomsen and Nadvi, 2009: 8). The Ethical Trading Initiative (ETI), Social Accountability (SA) standards and ISO 26000 series of standards are important instances of building up ‘universal’ codes and labels which could be taken up under the corporate social responsibility (CSR) as given core specifications to follow in the GPNs, in particular. However, the CSR route to ensure decent work in enterprises subcontracting activities for the lead firms is wrought with difficult propositions as much depends upon if the developing country in question remains a signatory to the ILO tripartite core conventions and also what institutional procedures it follows to enforce such standards or conventions. In a different context, an insistence by the lead firm upon following standards or codes by the local producers could result in non-participation by the latter in the subcontracting arrangement itself (Barrientos and Smith, 2007). In any case, the complete neglect of the Tier II workshops and workers in such CSR initiatives towards maintaining decent work conditions has implied that there exist significant loopholes in relying on these mechanisms which continue to be irresponsive to the dynamics international subcontracting as it *plays out* in the developing and poor countries.

In practice, in a GPN framework, the global producers whose insistence on product quality standards remain steady, often pursue a dual employment strategy whereby the skilled and relatively stable workforce is engaged in keeping with the rigorous technical and quality standards sought by the discerning global consumers. However, in case of an uncertainty in the demand pattern (whether due to seasonality or changing design/ style), global producers would opt for a subcontracting arrangement whereby both the cost and risk are passed on to the suppliers located in weaker positions of the value chain. This is most likely in those activities/processes that involve substantial human skills, often those by women. Further, it has been observed that firm upgradation in developing country suppliers through participation in GPNs *per se* is least likely to have a positive impact upon labour conditions. Even in the event of ethical sourcing, while ‘core’ workers might benefit to an extent, the large number of ‘peripheral’ workers would find it difficult to be ‘included’; that the proportion of core has been on the decline implies that less-skilled workers would not experience an improvement in the working conditions.

To the extent the global determines the local conditions of work, it is important to acknowledge that the interconnectedness is far from unidirectional. As observed by Shea et al. (2010: 86), “It is mediated by a variety of regional and national forces, including the efforts of the private sector, civil society actors like unions and non-governmental organizations, and the social policies of the nation-state. In turn, these developments transform the processes of globalization themselves”. At another level, as articulated by Taylor (2011: 446), there exists a constant tension as the ‘western consumption’ propels ‘southern production’ through a set of codes of conduct; the frequent negotiation between these two groups in mediating the norms brings to the fore the politics of GPNs that sustains unevenness in the impact of these codes. “Examining codes not simply as technical instruments but as a mediating factor in a series of struggles between overlapping and often irreconcilable interests helps us explain why the impact of codes on production relations is so uneven”.

It is argued that with foreign buyers looking for cheaper options, labour cost cutting will be more widely and easily adopted in the Indian conditions. It is possible that with widespread incidence of contractualisation, informalisation and casualisation of the workforce even stipulated minimum wages are not earned by many workers participating in the lower rungs of the subcontracting arrangement of the GPNs.<sup>21</sup> Apart from large scale violation of labour laws, their informal status renders their work ‘invisible’ and social security benefits do not accrue to them. This signals an unhelpful trend for broad-basing social and economic upgrading and even enterprise competitiveness.

### **Quasi-Conclusions?**

An appropriate manner to present concluding remarks to this review would

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<sup>21</sup> For instance, in the Indian context, a significant area of concern relates to the overwhelming presence of informality in both the production and labour processes in small enterprises with over 90 per cent categorised as microenterprises, often operating from households. The two key issues of concern have been i. the distorted and often unclear governance framework under which Indian small firms participate; and ii. by implication, the conditions of work enforced in a manner to take utmost advantage of informal status of much of the workforce. The evidence from quite a few Indian case studies on local small firms engaging with global buyers does add weight to the concern over ensuring decent work through GPNs. See, for instance, Neetha (2002), Posthuma & Nathan (2010), Hirway (2011) and Das (2012).



be to bring into focus the three recent incidents in the garment making enterprises in the global south shook us. During the last quarter of 2012, while the fire in Dhaka's Tazreen Fashion garment factory killed 112 workers, at least 289 workers died in a similar fire at Ali Enterprises in Karachi (the death estimates being gross underestimates). As if that was not devastating enough, the Rana Plaza (housing several garment units) in Dhaka suburbs collapsed last April, the dead count beyond 1100!<sup>22</sup> And this is the worst industrial disaster in the history of the garment industry of the world and one of the most tragic in the global industrial history.

In fact, as a cruel coincidence, one notices striking similarities and contrasts between the 1911 fire at New York's Triangle Shirtwaist Factory (then billed as the worst industrial disaster in American history) and the almost exactly century-later fire and building-collapse in Dhaka and Karachi's garment units largely working for 'global buyers', all whose names we do not know yet and will never know many of them, for sure. As is well known, while the American response led to reframing new labour laws and preventing any such incident in future, the poor 'southern producers' as in South Asia have fallen a prey to similar tragedies while catering to the 'western buyers' without the slightest reference to 'process' standards.<sup>23</sup>

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<sup>22</sup> For several news reports on these events, see, all prominent news sources and, for recent analysis on the Bangladesh garment sector tragedy, inter alia, Editorial (2013) and Theuws et al. (2013).

<sup>23</sup> Ignoring taking TNCs and local intermediaries involved in the subcontracting to task, the Rana Plaza tragedy, in particular, has triggered some frantic 'collective action' amongst scholars, policy makers, global clothing retailers, intergovernmental agencies that has led to forming the European plan (Accord on Fire and Building and Safety in Bangladesh) and the American plan (Bangladesh Worker Safety Initiative) with several corporate signatories. However, there have already been reports suggesting conflicts of interests between these 'alliances' and questions raised over the financial obligations companies were willing to bear (<http://www.thedailystar.net/beta2/news/rift-deepens-over-factory-safety-plans/> Accessed July 20, 2013). We need to watch carefully what are being done in fixing responsibilities and ensuring labour safety and, importantly, how are TNCs or lead firms responding to the same. Because such instances have occurred earlier as well and little action was taken. For instance, as a recent press news observes, "Until now, no international brand had been checking the structural integrity of the buildings where their clothes were being made. Rana Plaza is not the first factory to collapse in Bangladesh. In 2005, 64 workers died in the collapse of the Spectrum sweater factory, used by Inditex, the owner of Zara" [<http://www.guardian.co.uk/world/2013/jun/23/rana-plaza-factory-disaster-bangladesh-primark>] (Accessed July 21, 2013).

Even the role of trade unions has been compromised in these work spaces.<sup>24</sup> We do not even have an accessible list of subcontractors to global buyers; so much for the claims of transparency and governance of value chains. While some might argue for creating conditions for converting the ‘structural’ power of the workers under GPNs into the ‘associational’ power, that is able to extract meaningful concessions from the state and/or capital (Coe and Hess, 2013: 5; Nathan, 2013), we must delve deeper into the political economy of new forms of global subcontracting, to understand its dynamics, drivers and the downside. The issue, to be sure, is not about if the EU Plan and US Plan to form an alliance of TNCs to create a hefty-cash fund for workers’ safety at the factories in Bangladesh, but to secure human rights as workers, with or without GPNs. This is a matter, unfortunately, gets subsumed under the call for building a forum for ‘joint liability’.<sup>25</sup> This brings to the fore, once again, the need to accord *primacy* to issues in labour rights in the South in reframing the terms of such global subcontracting<sup>26</sup>. Otherwise, the ‘GPN-optimists’ would over-articulate the ‘win-win’ scenario and would forget to remember certain harsh truths concerning labour under the global subcontracting system, let alone engaging in unravelling the blatantly exploitative core of such arrangements.

Lastly, the serious issue of *discrimination* of labour under GPNs based on gender, race and class is yet to find adequate attention in the extant literature; this paper has not dealt with it. It would involve much deeper thinking and consequent policy measures, beyond merely co-opting of the state and supranational agencies by the capital, to render GPNs as a strategy of upgrading social and economic status of the informal producers and workers of the global South.

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<sup>24</sup> For an interesting recent account of garment workers and trade unions in Bangladesh, see, Rahman and Langford (2012).

<sup>25</sup> See, for instance, <http://www.guardian.co.uk/sustainable-business/political-willpower-business-enforces-ethical-labour> (Accessed July 22, 2013).

<sup>26</sup> These involve emerging issues in strategizing formation of transnational solidarity of labour and recognizing the growing insecurity and erosion of working conditions in the South. These issues have been articulated well in Bieler and Lindberg (2011).

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The major areas of research at the Institute are the following:

### 1. **Natural Resources Management, Agriculture and Climate Change**

Research under this area concerns the broad realm of environment and development. Studies have focused on economic viability, equity, environmental impact assessment and institutional mechanisms. Issues in common property land resources, land use and water harvesting have been researched extensively. Implications of climate change risks for Asia and the adaptation and mitigation strategies at the local levels have begun to be studied.

### 2. **Industry, Infrastructure and Trade**

The main themes include policy dimensions concerning the micro, small and medium enterprises, industrial clusters and intellectual property rights. Studies on basic infrastructure and linkages between infrastructure and regional growth have also been carried out. Trade and development and finance are new areas of interest.

### 3. **Employment, Migration and Urbanisation**

Studies under this theme relate to employment, labour, diversification of economic activities and migration. International migration has emerged as an additional theme along with urban services and aspects of urban economy and governance.

### 4. **Poverty and Human Development**

Issues examined include access, achievement and financing of education and health sectors. Studies on poverty relate to conceptual and measurement aspects, quality of life, livelihood options and social infrastructure. There is an increasing interest in understanding urban poverty, rural-urban linkages and issues in microfinance.

### 5. **Regional Development, Institutions and Governance**

Recent studies enquire into regional underdevelopment and the dynamics of local level institutions. Tribal area development mainly relating to livelihood promotion and human resource development has been a focus area. Recent analyses have also looked into Panchayati Raj Institutions, Forest Rights Act, MGNREGA and Right to Education Act.

Much of the research informs national and regional policies. The Institute also undertakes collaborative research and has a network with governments, academic institutions, international organisations and NGOs. A foray into specialized training and doctoral programme has just been made.



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