

# Effects of Globalization on Labor Standards and Working Conditions

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**Abstract:** *The effects of globalization on labor standards and working conditions have been widely debated, with some arguing that globalization has improved labor standards and working conditions while others claim it has led to a deterioration of such standards. This paper aims to explore the effects of globalization on labor standards and working conditions. The study will examine the impact of globalization on the labor market, focusing on changes in labor laws and regulations, worker rights, and wages. The research will also investigate the impact of globalization on working conditions, including workplace safety and health, and the quality of jobs. Furthermore, the study will explore the role of multinational corporations in shaping labor standards and working conditions in different countries. The findings of this research will provide insights into the impact of globalization on labor standards and working conditions and will contribute to the ongoing debate on the implications of globalization for the labor market.*

**Keywords:** Globalization, labor standards, supply chain management, wage differentials, gender wage gap.

## 1. Introduction

The increasing interconnectedness of economies and societies across borders has had profound effects on the global labor market.<sup>1</sup> While globalization has brought about numerous economic benefits, including increased trade and investment, it has also led to significant changes in the nature of work and employment.<sup>2</sup> One of the most debated issues in the globalization literature is the impact of globalization on labor standards and working conditions. Some argue that globalization has led to an improvement in labor standards and working conditions, while others contend that it has led to a deterioration of such standards.<sup>3</sup>

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<sup>1</sup> Maria Grazia Attinasi and Mirco Balatti, Globalisation and its implications for inflation in advanced economies <<https://www.ecb.europa.eu/pub/economic-bulletin/html/eb202104.en.html>> accessed 19 April 2023.

<sup>2</sup> Parisa Samimi and Hashem Salarzadeh Jenatabadi. 'Globalization and economic growth: empirical evidence on the role of complementarities' 9(4) (2014) PLoS ONE.

<sup>3</sup> Buzoianu OAC and others, 'Globalization and Working Conditions in Developing Countries' (2021) 92 SHS Web of Conferences <[https://www.shs-conferences.org/articles/shsconf/pdf/2021/03/shsconf\\_glob20\\_07011.pdf](https://www.shs-conferences.org/articles/shsconf/pdf/2021/03/shsconf_glob20_07011.pdf)>

This research aims to explore the effects of globalization on labor standards and working conditions. The study will examine the impact of globalization on labor laws and regulations, worker rights, wages, and working conditions. Furthermore, the research will investigate the role of multinational corporations in shaping labor standards and working conditions in different countries.

The research will employ a mixed-methods approach, using both qualitative and quantitative data collection methods, including case studies, surveys, and secondary data analysis. The study will draw on existing research and data, as well as new primary data collected from relevant stakeholders in different countries. The findings of this research will provide insights into the impact of globalization on labor standards and working conditions and will contribute to the ongoing debate about the implications of globalization for the labor market.

## **2. The Impact of Globalization on Labor Laws and Regulations**

The impacts of globalization on labor laws and regulations will be discussed under the following two subheadings:

### **2.1 Changes in Labor Standards and Labor Rights**

Labor standards and labor rights have undergone significant changes in recent decades due to globalization and economic integration. While globalization has brought about several benefits, including increased trade and investment, it has also led to significant changes in the nature of work and employment. This has had a significant impact on labor standards and labor rights, both at the national and international level.<sup>4</sup>

One of the most significant changes in labor standards and labor rights has been the increasing importance of international labor standards. International labor standards are principles and rules established by the International Labor Organization (ILO) that sets minimum standards for the treatment of workers. These standards cover a wide range of issues, including freedom of association, collective bargaining, child labor, forced labor, discrimination, and working conditions.<sup>5</sup> The ILO has been instrumental in promoting and enforcing these standards, and its work has contributed to the development of national labor laws and regulations in many countries.<sup>6</sup>

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<sup>4</sup> International Labour Organization, 'The Benefits of International Labour Standards' (2015) <<https://www.ilo.org/global/standards/introduction-to-international-labour-standards/the-benefits-of-international-labour-standards/lang--en/index.htm>>.

<sup>5</sup> International Labor Organization, 'Introduction to International Labour Standards' <<https://www.ilo.org/global/standards/introduction-to-international-labour-standards/lang--en/index.htm>> accessed 21 April 2023.

<sup>6</sup> Ibid.

Another significant change in labor standards and labor rights has been the increasing importance of corporate social responsibility (CSR). CSR refers to the voluntary actions that companies take to address social and environmental issues, including labor standards and labor rights. Many multinational corporations have adopted CSR policies and practices that aim to improve labor standards and labor rights in their operations and supply chains. These policies and practices include the adoption of labor codes of conduct, the establishment of independent monitoring systems, and the provision of training and capacity building for workers and suppliers.<sup>7</sup>

However, despite these positive developments, globalization has also led to significant challenges for labor standards and labor rights. One of the most significant challenges has been the erosion of labor standards in many developing countries due to increased competition and a race to the bottom. This has led to a downward pressure on wages and working conditions, as well as an erosion of workers' rights and protections.<sup>8</sup> Furthermore, the increasing power of multinational corporations has made it difficult for workers to exercise their rights and demand better working conditions, particularly in countries with weak labor regulations and institutions.<sup>9</sup>

In conclusion, globalization has brought about significant changes in labor standards and labor rights. While international labor standards and CSR policies have contributed to the improvement of labor standards and labor rights, globalization has also led to significant challenges, including the erosion of labor standards and the weakening of worker rights and protections. It is therefore essential for governments, employers, and workers to work together to promote and enforce labor standards and labor rights, both at the national and international levels.

## **2.2 Impact of globalization on minimum wage laws**

Globalization has had a significant impact on minimum wage laws in many countries around the world. Minimum wage laws are policies that set a minimum wage that employers must pay to their workers. These policies are designed to protect workers from exploitation and to ensure that they receive a fair wage for their labor. However, globalization has led to several challenges to minimum wage laws, including increased competition, outsourcing, and the shifting of production

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<sup>7</sup> Gary Gereffi, John Humphrey and Timothy Sturgeon, 'The Governance of Global Value Chains' (2005) 12 *Review of International Political Economy* 78.

<sup>8</sup> Ann Harrison and Jason Scorse, 'Multinationals and Anti-Sweatshop Activism' (2010) 100 (1) *American Economic Review* 247—273.

<sup>9</sup> *Ibid.*

to countries with lower labor costs.<sup>10</sup>

One of the most significant impacts of globalization on minimum wage laws has been the increasing competition between countries for investment and trade. This has led to a race to the bottom in terms of wages and working conditions, as countries try to attract investment by offering lower labor costs.<sup>11</sup> This has made it difficult for countries to maintain high minimum wages, as they are often seen as a barrier to investment and competitiveness.<sup>12</sup>

Another significant impact of globalization on minimum wage laws has been the outsourcing of jobs to countries with lower labor costs. This has been particularly significant in manufacturing industries, where production has been shifted to countries such as China and Bangladesh, where labor costs are much lower than that in developed countries.<sup>13</sup> This has led to a decline in manufacturing jobs in developed countries, as well as a downward pressure on wages in those countries.<sup>14</sup>

Finally, globalization has also led to the growth of global supply chains, which has made it difficult for governments to enforce minimum wage laws. Many companies now source their inputs and products from multiple countries, which make it difficult to ensure that all workers in the supply chain are paid a fair wage.<sup>15</sup> This has led to a situation where workers in developing countries are often paid much less than their counterparts in the developed countries, even when they are producing the same products.<sup>16</sup>

In conclusion, globalization has had a significant impact on minimum wage laws in many countries. The increasing competition, outsourcing, and growth of global supply chains have all made it difficult for countries to maintain high minimum wages and to ensure that all workers are paid a fair wage. It is therefore essential for governments to work together to address these challenges and to ensure that workers around the world are protected by strong minimum wage laws.

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> ILO, 'Globalization Changes the Face of Textile, Clothing and Footwear Industries' (1996) <[https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_008075/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_008075/lang--en/index.htm)>.

<sup>14</sup> Barend A de Vries, 'High Cost of Industry in Developing Countries—Causes and Remedies' (1969) 0006 Finance & Development <<https://www.elibrary.imf.org/view/journals/022/0006/004/article-A008-en.xml>> accessed 21 April 2023.

<sup>15</sup> Gary Gereffi, John Humphrey and Timothy Sturgeon (n 7).

<sup>16</sup> Ibid.

### 3. The Impact of Globalization on Wages and Income Inequality

The impact of globalization on wages and income inequality will be looked into in two folds, namely:

#### 3.1 Examining Wage Differentials across Countries

Wage differentials refer to the variations in wages or salaries paid to workers for the same or similar jobs across different countries. These wage differentials have been a topic of interest within labor economics, as they reflect the underlying factors that determine wage levels in different countries. In this discussion, we will examine the factors that contribute to wage differentials across countries and their implications.

One of the primary factors that contribute to wage differentials across countries is the difference in the level of economic development. Countries that are more economically developed tend to have higher wage levels due to factors such as higher productivity, greater demand for skilled labor, and better technology.<sup>17</sup> On the other hand, countries that are economically less developed tend to have lower wage levels due to lack of investment in human capital and lower productivity levels.<sup>18</sup>

Another factor that contributes to wage differentials across countries is the difference in labor market institutions and regulations. Countries that have strong labor market institutions such as labor unions and collective bargaining tend to have higher wage levels due to the ability of workers to negotiate for higher wages and better working conditions.<sup>19</sup> In contrast, countries that have weak labor market institutions and regulations tend to have lower wage levels, as workers are not able to negotiate effectively for better wages.<sup>20</sup>

A third factor that contributes to wage differentials across countries is the difference in the level of globalization and international trade. Countries that are more open to international trade tend to have higher wage levels due to the greater demand for labor and the transfer of technology and skills.<sup>21</sup> On the other hand, countries that are less open to international trade tend to have lower wage levels

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<sup>17</sup> Erica Field, 'Entitled to Work: Urban Property Rights and Labor Supply in Peru', (2007) 4(122) *Quarterly Journal of Economics* 1561—1602.

<sup>18</sup> *Ibid.*

<sup>19</sup> Indermit Gill and Homi Kharas, *An East Asian Renaissance: Ideas for Economic Growth* (World Bank 2007) <<http://hdl.handle.net/10986/6798>> accessed 21 April 2023.

<sup>20</sup> *Ibid.*

<sup>21</sup> David H Autor, David Dorn and Gordon H Hanson, 'The China Syndrome: Local Labor Market Effects of Import Competition in the United States' (2013) 103 *American Economic Review* 2121.

due to lack of competition and access to new technologies and skills.<sup>22</sup>

The implications of wage differentials across countries are significant. They can lead to a brain drain of skilled workers from countries with lower wages to countries with higher wages, which can result in a lack of skilled workers in the former countries.<sup>23</sup> Wage differentials can also lead to social and economic inequalities, as workers in lower wage countries are often unable to meet their basic needs, such as food, shelter, and healthcare.<sup>24</sup> In addition, wage differentials can lead to greater economic and political instability, as workers in lower wage countries are more likely to engage in labor unrest and protest.<sup>25</sup>

In conclusion, examining wage differentials across countries is essential in understanding the underlying factors that contribute to wage levels in different countries. The factors discussed in this discussion, such as the level of economic development, labor market institutions, and globalization, are just a few of the many factors that contribute to wage differentials. By understanding these factors, policymakers can develop policies that promote greater equality in wages and reduce the negative impacts of wage differentials on social and economic development.

### **3.2 Impact of globalization on the gender wage gap**

The gender wage gap refers to the difference in earnings between men and women in the labor market. While the gender wage gap exists in all countries, the extent of the gap varies across countries and has been shown to be influenced by globalization.<sup>26</sup> In this discussion, we will examine the impact of globalization on the gender wage gap and the mechanisms through which globalization affects the gender wage gap.

One of the ways in which globalization affects the gender wage gap is through changes in the demand for different types of labor. With globalization, there has been a shift in demand towards industries that require skills such as communication, technical knowledge, and problem-solving abilities. These skills are typically associated with higher-paying jobs and are more commonly found

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<sup>22</sup> Ibid.

<sup>23</sup> 'What Is Brain Drain in Economics?' <<https://study.com/academy/lesson/what-is-brain-drain-in-economics-definition-causes-effects-examples.html>>.

<sup>24</sup> 'Urgent Action Needed to Close Inequality Gaps, Recover from Pandemic, Labour Crises, Speakers Stress, as Social Development Commission Session Continues' (*press.un.org*) <<https://press.un.org/en/2023/sc4909.doc.htm>>.

<sup>25</sup> Ibid.

<sup>26</sup> Francine D Blau and Lawrence M Kahn, 'The Gender Wage Gap: Extent, Trends, and Explanations' (2017) 55 *Journal of Economic Literature* 789.

among men than women,<sup>27</sup> due largely to the substantive inequality between men and women. As a result, globalization has led to an increase in the gender wage gap in these industries.

Globalization has also led to an increase in the number of women entering the labor force, particularly in developing countries. However, this has not necessarily translated into a decrease in the gender wage gap. In many cases, women are employed in low-paying, low-skilled jobs that are vulnerable to fluctuations in the global market.<sup>28</sup> This has resulted in a widening of the gender wage gap in many developing countries, where women are concentrated in industries that are affected by globalization, such as the textile and garment industries.<sup>29</sup>

In addition, globalization has led to changes in labor market institutions and regulations, which can also affect the gender wage gap. For example, the globalization of finance and the rise of shareholder capitalism have led to a decrease in the power of unions, which have traditionally played a role in reducing the gender wage gap.<sup>30</sup> In addition, the deregulation of labor markets and the increasing use of precarious work arrangements have made it more difficult for women to negotiate for better wages and working conditions.<sup>31</sup>

However, there is evidence that globalization can also have a positive impact on the gender wage gap. For example, globalization has led to an increase in educational opportunities for women, which has resulted in a greater supply of skilled female workers.<sup>32</sup> This, in turn, has led to an increase in demand for female workers in certain industries, which has helped to reduce the gender wage gap.<sup>33</sup> In addition, globalization has led to the adoption of gender-sensitive policies in some countries, such as the promotion of equal pay for equal work and the provision of parental leave.<sup>34</sup>

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<sup>27</sup> Claudia Goldin, 'A Grand Gender Convergence: Its Last Chapter' (2014) 104 *American Economic Review*, 1091.

<sup>28</sup> Rania Antonopoulos, 'The Unpaid Care Work-Paid Work Connection' (2008) SSRN Electronic Journal.

<sup>29</sup> *Ibid.*

<sup>30</sup> Antonio Ocampo and others (eds), 'Financial Globalization and the Emerging Economies Economic Commission for Latin America and the Caribbean' (2000) Economic Commission for Latin America and the Caribbean (ECLAC) and the International Jacques Maritain Institute.

<sup>31</sup> *Ibid.*

<sup>32</sup> Sirous Tabrizi, 'Does Globalization Improve Women's Educational Status?' (2019) 8(2) *International Journal of Technology and Inclusive Education*.

<sup>33</sup> Asrifa Hossain and others, 'Does Globalization Encourage Female Employment? A Cross-Country Panel Study' (2022) 3 *World* 206.

<sup>34</sup> World Bank, 'Overview' (2018) <<https://www.worldbank.org/en/topic/gender/overview>> accessed 23 April 2023.

In conclusion, globalization has had a complex and varied impact on the gender wage gap. While it has led to an increase in demand for skilled workers, which has benefited men, it has also led to an increase in the number of women entering the labor force. However, the employment opportunities available to women have not necessarily translated into a decrease in the gender wage gap. Instead, the gender wage gap has widened in some industries and in some countries due to globalization. Policymakers must take into account these complex effects of globalization on the gender wage gap and implement policies that promote greater gender equality in the labor market.

#### **4. The Impact of Globalization on Working Conditions**

The impact of globalization on working conditions will be discussed under the following subheads:

##### **4.1 Changes in Working Hours and Work-life Balance**

The globalization of the economy has led to changes in working hours and work-life balance for many workers around the world. These changes have been driven by a number of factors, including advances in technology, increased competition, and the growing importance of flexible work arrangements.<sup>35</sup> In this discussion, we will examine the impact of globalization on working hours and work-life balance, and the implications of these changes for workers and their families.

One of the most significant changes in working hours has been the increase in the number of hours worked by many employees. This is particularly true for those in high-skilled, high-paying jobs, who are often expected to work longer hours in order to meet the demands of global competition.<sup>36</sup> This trend has been accompanied by a decline in the number of hours worked by lower-skilled workers, who are more likely to be employed in industries that have been affected by globalization, such as manufacturing.<sup>37</sup> This has resulted in a growing divide between high-skilled and low-skilled workers, and has raised concerns about inequality in the labor market.<sup>38</sup>

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<sup>35</sup> Max Mockett, 'A Future of Work Report the Benefits of Flexible Working Arrangements' (2012) <<https://www.bc.edu/content/dam/files/centers/cwf/individuals/pdf/benefitsCEOFlex.pdf>> accessed 23 April 2023.

<sup>36</sup> Jeffrey Greenhaus and Tammy Allen, 'Work-Family Balance: A Review and Extension of the Literature' in James Campbell Quick and Lois E Tetrick (eds) *Handbook on Occupational Health Psychology* (American Psychological Association 2011).

<sup>37</sup> Matthew J. Slaughter and Phillip Swagel, 'The Effect of Globalization on Wages in the Advanced Economies' 'International Monetary Fund' ([www.imf.org](http://www.imf.org)) <<https://www.imf.org/external/pubs/ft/wp/wp9743.pdf>> accessed 23 April 2023.

<sup>38</sup> Ibid.



Globalization has also led to changes in work-life balance, as workers are increasingly expected to be available to work outside of traditional working hours. Advances in technology have made it easier for workers to work remotely and to communicate with colleagues and clients around the world. While this has increased flexibility and autonomy for many workers, it has also led to a blurring of the boundaries between work and personal life.<sup>39</sup> Workers may feel pressured to be available for work-related tasks at all times, which can lead to increased stress and burnout.<sup>40</sup>

In response to these changes, some employers have implemented policies aimed at improving work-life balance. For example, some companies have introduced flexible work arrangements, such as telecommuting and flexible schedules, which allow employees to better balance their work and personal lives.<sup>41</sup> In addition, some countries have implemented legislation aimed at reducing working hours and improving work-life balance. For example, in 2016, France introduced a law that gave workers the right to disconnect from work-related communications outside of working hours.<sup>42</sup>

However, there is also evidence that globalization has led to a decline in work-life balance in some countries. For example, a study of workers in South Korea found that long working hours and high levels of work-related stress were common, and that many workers experienced difficulties in balancing work and family responsibilities.<sup>43</sup> In addition, the decline in union power and the deregulation of labor markets have made it more difficult for workers to negotiate for better working conditions and to advocate for policies that promote work-life balance.<sup>44</sup>

In conclusion, globalization of the economy has led to significant changes in working hours and work-life balance for many workers around the world. While these changes have provided greater flexibility for some workers, they have also

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<sup>39</sup> Yannick Griep and others, 'Technology in the Workplace: Opportunities and Challenges' (2021) Flexible Working Practices and Approaches 93.

<sup>40</sup> Ibid.

<sup>41</sup> Nicholas Bloom and others, 'Does Working from Homework? Evidence from a Chinese Experiment' (2015) 130 *The Quarterly Journal of Economics*, 165.

<sup>42</sup> Geraldine Davila Gonzalez, 'Telework and the French "Right to Disconnect" in Custodia Legis: Law Librarians of Congress' (21 August 2020) <<https://blogs.loc.gov/law/2020/08/telework-and-the-french-right-to-disconnect/#:~:text=In%202016%2C%20the%20French%20government>>.

<sup>43</sup> Korea International Labour Foundation. 2009. Twenty-three percent of workplaces with over 100 employees join work sharing. <[www.koilaf.org/KFeng/engLabornews/bbs\\_read\\_dis.php?board\\_no=5978&page=40&keyField=&keyWord=&keyBranch=](http://www.koilaf.org/KFeng/engLabornews/bbs_read_dis.php?board_no=5978&page=40&keyField=&keyWord=&keyBranch=)> accessed 23 April 2023.

<sup>44</sup> S. Lee and D. McCann Forthcoming 'Negotiating working time in fragmented labour markets: Realizing the promise of 'regulated flexibility'', in Susan Hayter (ed) *The role of collective bargaining in a global economy: Negotiating for social justice* (ILO 2011).

led to concerns about inequality and the blurring of boundaries between work and home life. Policymakers and employers must take into account these complex effects of globalization on working hours and work-life balance and implement policies that promote greater flexibility and work-life balance for all workers.

#### **4.2 Impact of Globalization on Workplace Safety and Health**

Globalization has had a profound impact on workplace safety and health around the world. As companies expand their operations globally, they are often faced with different legal and regulatory environments, as well as cultural norms that can affect workplace safety and health.<sup>45</sup> In this discussion, we will examine the impact of globalization on workplace safety and health, and the implications of these changes for workers and employers.

One of the main impacts of globalization on workplace safety and health has been the increasing prevalence of global supply chains.<sup>46</sup> This has led to an increase in outsourcing and subcontracting, which can make it more difficult for companies to ensure that their suppliers and contractors are meeting safety and health standards.<sup>47</sup> For example, companies that outsource their manufacturing to other countries may have less control over the working conditions and safety practices of their suppliers. This can lead to a greater risk of accidents and injuries, as well as long-term health effects such as exposure to hazardous substances.<sup>48</sup>

Another impact of globalization on workplace safety and health has been the growing use of temporary and contract workers. These workers often have less job security and are more likely to work in hazardous conditions than permanent employees.<sup>49</sup> This can lead to a higher risk of accidents and injuries, as well as long-term health effects such as stress and fatigue.<sup>50</sup>

In response to these challenges, many countries and organizations have implemented regulations and guidelines aimed at improving workplace safety and health. For example, the International Labour Organization has developed a number of conventions and recommendations aimed at promoting safe and healthy

<sup>45</sup> Maud MTE Huynen, Pim Martens, Henk BM Hilderink, 'The health impacts of globalisation: a conceptual framework' (2005) 1(14) *Global Health*.

<sup>46</sup> *Ibid.*

<sup>47</sup> Michael Quinlan and Claire Mayhew, 'The Effects of Outsourcing on Occupational Health and Safety: A Comparative Study of Factory-Based Workers and Outworkers in the Australian Clothing Industry' (1999) 29 *International journal of health services: planning, administration, evaluation* 83—107.

<sup>48</sup> *Ibid.*

<sup>49</sup> 'Non-Standard Forms of Employment (Non-Standard Forms of Employment)' <<https://www.ilo.org/global/topics/non-standard-employment/lang--en/index.htm>> accessed 23 April 2023.

<sup>50</sup> *Ibid.*

working conditions for all workers, regardless of their employment status.<sup>51</sup> In addition, many companies have implemented policies and procedures aimed at ensuring the safety and health of their workers, such as training programs, safety audits, and employee wellness initiatives.<sup>52</sup>

However, there are also concerns that globalization has led to a race to the bottom in terms of workplace safety and health standards. Companies that are focused on minimising costs and maximising profits may prioritize cost-cutting measures over the safety and health of their workers.<sup>53</sup> This can lead to a culture of risk-taking and disregard for safety and health standards, which can have serious consequences for workers.<sup>54</sup>

In conclusion, the impact of globalization on workplace safety and health is complex and multifaceted. While globalization has led to new challenges and risks for workers, it has also provided opportunities for companies to improve safety and health standards through collaboration and innovation. Policymakers and employers must take into account these complex effects of globalization on workplace safety and health and implement policies that prioritise the safety and health of all workers.

## **5. Multinational Corporations and Labor Standards**

The discussion of multinational corporations and labor standards will be under the following heads:

### **5.1 Examining the Role of Multinational Corporations in Shaping Labor Standards**

Multinational corporations (MNCs) have a significant impact on labor standards in countries around the world. As MNCs expand their operations globally, they often bring with them their own labor standards and practices. This can have both positive and negative impacts on workers and the labor standards in the host countries.<sup>55</sup> In this discussion, we will examine the role of MNCs in shaping labor standards, and the implications of these changes for workers and host countries.

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<sup>51</sup> International Labour Organization, 'Safety and Health at Work' <<https://www.ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm>> accessed 24 April 2023.

<sup>52</sup> Ibid.

<sup>53</sup> Michael Quinlan, Claire Mayhew and Philip Bohle, 'The Global Expansion of Precarious Employment, Work Disorganization, and Consequences for Occupational Health: A Review of Recent Research' (2001) 31 *International Journal of Health Services* 335.

<sup>54</sup> Ibid.

<sup>55</sup> Drusilla K Brown, Alan V Deardorff and Robert S Stern, 'The Effects of Multinational Production on Wages and Working Conditions in Developing Countries' (2003) University of Chicago Press eBooks 279.

One of the main ways that MNCs shape labor standards is through their supply chains. MNCs often rely on suppliers and contractors in host countries to manufacture their products or provide services. This can lead to a race to the bottom in terms of labor standards, as suppliers and contractors compete on price and quality. MNCs may also pressure their suppliers and contractors to cut costs and increase production, which can lead to lower wages, longer working hours, and worse working conditions.<sup>56</sup>

However, MNCs can also have a positive impact on labor standards by setting higher standards for their suppliers and contractors. MNCs may require their suppliers and contractors to meet certain labor standards and practices, such as paying a living wage or providing safe working conditions. This can have a positive spillover effect on other companies in the same industry or region, as they may need to meet the same standards to remain competitive.<sup>57</sup>

In addition, MNCs can also influence labor standards through their CSR programs. Many MNCs have CSR programs that aim to promote social and environmental sustainability in the communities in which they operate. These programs may include initiatives to improve labor standards and working conditions for employees and suppliers, such as training programs or monitoring systems.<sup>58</sup>

However, there are concerns that MNCs may use CSR programs as a form of “greenwashing,” or to avoid regulatory scrutiny or negative publicity.<sup>59</sup> Critics argue that these programs may be superficial and may not address the root causes of labor standards violations or social and environmental problems.<sup>60</sup>

In conclusion, the role of MNCs in shaping labor standards is complex and multifaceted. While MNCs can have a significant impact on labor standards in host countries, they can also have a positive influence through their supply chains and CSR programs. Policymakers and civil society organisations must hold MNCs accountable for their labor standards practices and work to ensure that they prioritise the well-being of workers and communities in which they operate.

## 5.2 The Impact of Supply Chain Management on Labor Standards

Supply chain management (SCM) is the process of managing the flow of

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<sup>56</sup> Gary Gereffi, John Humphrey and Timothy Sturgeon (n 7).

<sup>57</sup> Ibid.

<sup>58</sup> Tim Bartley, ‘Transnational Private Regulation in Practice: The Limits of Forest and Labor Standards Certification in Indonesia’ (2010) 12 *Business and Politics* 1.

<sup>59</sup> Ivanka Mamic, ‘Managing Global Supply Chain: The Sports Footwear, Apparel and Retail Sectors’ (2005) 59 *Journal of Business Ethics* 81.

<sup>60</sup> Ibid.

goods and services from the raw material stage to the stage of final production. SCM has become an important area of focus for many companies, as they seek to improve efficiency and reduce costs. However, SCM can also have a significant impact on labor standards in the countries where companies operate.<sup>61</sup> In this discussion, we will examine the impact of SCM on labor standards and the challenges faced in promoting good labor practices in supply chains.

One of the main challenges in promoting good labor practices in supply chains is the complexity of the supply chain itself. Supply chains can be long and complex, with multiple tiers of suppliers and subcontractors, which can make it difficult to monitor and enforce labor standards.<sup>62</sup> In addition, companies may not have direct control over the labor practices of their suppliers and subcontractors, which can limit their ability to promote good labor practices.<sup>63</sup>

Despite these challenges, SCM can have a positive impact on labor standards when companies implement effective monitoring and enforcement mechanisms. For example, companies can use audits, inspections, and certification schemes to ensure that their suppliers and subcontractors comply with labor standards.<sup>64</sup> Companies can also provide training and capacity building to suppliers and subcontractors to help them improve their labor practices.<sup>65</sup>

In addition to promoting good labor practices, SCM can also help to address labor rights violations in the supply chains. For example, companies can use their purchasing power to pressure suppliers and subcontractors to address labor rights violations, such as child labor or forced labor.<sup>66</sup> This can help improve labor standards and protect the rights of workers in the supply chains.

However, there are also concerns that SCM can lead to a race to the bottom in labor standards. For example, companies may prioritize cost savings over good labor practices and may seek to source from countries with low labor standards.<sup>67</sup>

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<sup>61</sup> Ciscel, David H., and Barbara Ellen Smith, 'The Impact of Supply Chain Management on Labor Standards: The Transition to Incessant Work,' (2005) 39(2) *Journal of Economic Issues* 429–37.

<sup>62</sup> Gary Gereffi and Joonkoo Lee, 'Economic and Social Upgrading in Global Value Chains and Industrial Clusters: Why Governance Matters' (2014) 133 *Journal of Business Ethics* 25.

<sup>63</sup> *Ibid.*

<sup>64</sup> Stephanie Barrientos, Gary Gereffi and Arianna Rossi, 'Economic and Social Upgrading in Global Production Networks: A New Paradigm for a Changing World' (2011) 150 *International Labour Review* 319.

<sup>65</sup> *Ibid.*

<sup>66</sup> Richard M Locke, Fei Qin and Alberto Brause, 'Does Monitoring Improve Labor Standards? Lessons from Nike' (2007) 61 *ILR Review* 3.

<sup>67</sup> International Labour Organization, 'The Benefits of International Labour Standards' (*Ilo.org*2015) <<https://www.ilo.org/global/standards/introduction-to-international-labour-standards/the-benefits-of-international-labour-standards/lang--en/index.htm>>.

This can lead to a situation where workers are subject to poor working conditions and low wages, with little protection from labor laws or trade unions.<sup>68</sup>

In conclusion, SCM can have both positive and negative impacts on labor standards. While SCM can help promote good labor practices and address labor rights violations, it can also lead to a race to the bottom in labor standards. Policymakers and companies must take into account the complex effects of SCM on labor standards and implement policies and practices that prioritise the protection and empowerment of workers in supply chains.

## **6. Case Studies: Examples of how Globalization has Affected Labor Standards and Working Conditions in Selected Countries**

Under this subheading, examples of how globalization has affected labor standards and working conditions in selected jurisdiction/countries will be discussed as followings:

### **6.1 Bangladesh**

Bangladesh is one of the largest exporters of garments in the world, with its garment industry accounting for around 80% of its exports.<sup>69</sup> However, this industry has been plagued by poor working conditions and labor rights violations. In 2013, the collapse of the Rana Plaza factory building in Dhaka, which killed over 1,100 workers, brought global attention to the issue of labor standards in Bangladesh's garment industry.<sup>70</sup> The incident was attributed to a lack of safety standards and inadequate building inspections, highlighting the need for improvements in labor standards and working conditions in the country's supply chains.<sup>71</sup>

### **6.2 China**

China is known for its low-cost manufacturing and has been a major player in the global supply chain for decades. However, the country has been criticized for its poor labor standards and working conditions, particularly in the electronics and toy industries.<sup>72</sup> In recent years, China has taken steps to improve labor

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<sup>68</sup> Ibid.

<sup>69</sup> Sharif As-Saber and Bangladesh Garment Manufacturers and Exporters Association, *Bangladesh RMG Roadmap: Targeting US\$50 Billion Export by 2021* (Bangladesh Garment Manufacturers and Exporters Association 2016).

<sup>70</sup> Brian W Jacobs and Vinod R Singhal, 'The Effect of the Rana Plaza Disaster on Shareholder Wealth of Retailers: Implications for Sourcing Strategies and Supply Chain Governance (2017) *Journal of Operations Management* 52.

<sup>71</sup> Ibid.

<sup>72</sup> Human Rights Watch, 'World Report 2020: Rights Trends in China' <<https://www.hrw.org/world-report/2020/country-chapters/china-and-tibet>>.

standards and working conditions, including the adoption of new labor laws and increased enforcement of existing laws. However, challenges remain, including the prevalence of informal employment and limited access to labor rights for migrant workers.<sup>73</sup>

### 6.3 Mexico

Mexico has a strong tradition of labor rights activism and unionization, but globalization has led to increased competition and pressure on workers. In the 1990s, the country underwent a process of economic liberalization and trade liberalization, which led to the relocation of manufacturing jobs from the United States to Mexico.<sup>74</sup> While this led to job creation and economic growth, it also resulted in increased pressure on workers to accept low wages and poor working conditions. In recent years, Mexico has implemented labor reforms aimed at strengthening labor standards and workers' rights, but there are concerns about the effectiveness of these reforms.<sup>75</sup>

### 6.4 United States of America

Globalization has had a significant impact on labor standards and working conditions in the United States, particularly in industries such as manufacturing and agriculture. The offshoring of jobs to low-cost countries has led to job losses and downward pressure on wages, while the influx of migrant workers has led to labor rights violations and poor working conditions.<sup>76</sup> In recent years, there has been a growing movement to improve labor standards and working conditions in the United States, including through the adoption of new laws and regulations aimed at protecting workers' rights.<sup>77</sup>

### 6.5 Indonesia

Indonesia has experienced significant growth in its manufacturing sector in recent years, but this has been accompanied by concerns about poor labor standards and working conditions. In the garment industry, workers have reported

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<sup>73</sup> Decent Work in Global Supply Chains <[http://www.oit.org/wcmstp5/groups/public/---ed\\_norm/--relconf/documents/meetingdocument/wcms\\_468097.pdf](http://www.oit.org/wcmstp5/groups/public/---ed_norm/--relconf/documents/meetingdocument/wcms_468097.pdf)> accessed 25 April 2023.

<sup>74</sup> Rosario Cervantes and Gerardo Fujii, 'The Mexican Trade Liberalization Process and Its Net Effects on Employment: 1988-2004' (2012) 9 *EconoQuantum*, 81 <[https://www.scielo.org.mx/scielo.php?script=sci\\_arttext&pid=S1870-66222012000200005](https://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S1870-66222012000200005)> accessed 25 April 2023.

<sup>75</sup> 'The Transformation of the Mexican Labour Regulation Model and Its Link to North American Economic Integration' <<https://www.ilo.org/legacy/english/intserv/working-papers/wp015/index.html>> accessed 25 April 2023.

<sup>76</sup> 'The State of Labor Market Competition' (7 March 2022) <<https://home.treasury.gov/system/files/136/State-of-Labor-Market-Competition-2022.pdf>> accessed 25 April 2023.

<sup>77</sup> Ibid.

long working hours, low wages, and inadequate safety standards.<sup>78</sup> In the palm oil industry, workers have been subjected to forced labor and other forms of exploitation.<sup>79</sup> These issues have led to calls for stronger labor protections and increased enforcement of existing laws.

## 6.6 India

India is home to a large and diverse workforce, but labor standards vary widely across different sectors and regions. In the construction industry, workers have reported poor safety standards and inadequate access to healthcare.<sup>80</sup> In the agricultural sector, workers have been subjected to forced labor and other forms of exploitation.<sup>81</sup> These issues have been exacerbated by the growth of informal employment and the prevalence of labor contractors who act as intermediaries between workers and employers.<sup>82</sup>

## 6.7 Vietnam

Vietnam has emerged as a major player in the global apparel industry, but concerns have been raised about poor labor standards and working conditions in the country's garment factories. Workers have reported long hours, low wages, and a lack of safety standards.<sup>83</sup> In recent years, Vietnam has taken steps to improve labor standards and working conditions, including the adoption of new labor laws and increased enforcement of existing laws.<sup>84</sup> However, challenges remain, particularly with regard to the protection of workers' rights to freedom of association and collective bargaining.<sup>85</sup>

<sup>78</sup> 'When We Lost the Forest, We Lost Everything: Oil Palm Plantations and Rights Violations in Indonesia' <[https://www.hrw.org/sites/default/files/report\\_pdf/indonesia0919\\_insert\\_lowres.pdf](https://www.hrw.org/sites/default/files/report_pdf/indonesia0919_insert_lowres.pdf)>.

<sup>79</sup> 'A Fact Sheet' <[https://www.ran.org/wp-content/uploads/2018/06/Case\\_Against\\_Conflict\\_Palm\\_Oil\\_2017.pdf](https://www.ran.org/wp-content/uploads/2018/06/Case_Against_Conflict_Palm_Oil_2017.pdf)> accessed 25 April 2023.

<sup>80</sup> Beyond Definition, 'Research and Programming on Migrant Workers in India's Construction Sector— Global Fund to End Modern Slavery' (4 October 2021) <<https://gfems.org/reports/research-and-programming-on-migrant-workers-in-indias-construction-sector/>> accessed 27 April 2023.

<sup>81</sup> 'Indian State to Map Cotton Supply Chain to Stamp out Child Labor' *Reuters* (5 August 2019) <<https://www.reuters.com/article/us-india-slavery-cotton-idUSKCN1UV0YG>> accessed 27 April 2023.

<sup>82</sup> 'India Wage Report: Wage Policies for Decent Work and Inclusive Growth' (20 August 2018) <[https://www.ilo.org/newdelhi/whatwedo/publications/WCMS\\_638305/lang-en/index.htm](https://www.ilo.org/newdelhi/whatwedo/publications/WCMS_638305/lang-en/index.htm)>.

<sup>83</sup> 'Labor Rights Violations in Vietnam's Export Manufacturing Sector Worker Rights Consortium' (2013) <[https://www.workersrights.org/wp-content/uploads/2016/02/WRC\\_Vietnam\\_Briefing\\_Paper.pdf](https://www.workersrights.org/wp-content/uploads/2016/02/WRC_Vietnam_Briefing_Paper.pdf)> accessed 27 April 2023.

<sup>84</sup> 'Better Work Vietnam Annual Report 2020: An Industry and Compliance Review' (*Better Work*) <<https://betterwork.org/portfolio/better-work-vietnam-annual-report-2020-an-industry-and-compliance-review/>> accessed 27 April 2023.

<sup>85</sup> 'Labor Rights Violations' (n 83).



## 7. Challenges of Globalization on Labor Standards and Working Conditions

Globalization has brought many opportunities for economic growth and development, but it has also presented significant challenges for labor standards and working conditions around the world. Some of the key challenges include:

***Inadequate labor protections:*** In many countries, labor laws are weakly enforced or not enforced at all, leaving workers vulnerable to exploitation and abuse. This is particularly true in developing countries, where labor protections may be weaker and labor inspection systems may be poorly resourced.<sup>86</sup>

***Race to the bottom:*** Globalization has intensified competition among countries to attract investment and create jobs. This has led to a “race to the bottom,” where countries lower labor standards in order to attract foreign investment and remain competitive.<sup>87</sup> This can result in a downward spiral of declining labor standards and working conditions.<sup>88</sup>

***Precarious work:*** Globalization has led to the growth of precarious work, including temporary and part-time jobs, subcontracting, and informal employment. These forms of work are often characterized by low pay, poor working conditions, and limited access to social protections and benefits.<sup>89</sup>

***Supply chain complexities:*** Globalization has created increasingly complex supply chains, with goods and services produced and sourced from multiple countries. This can make it difficult to trace and monitor labor standards and working conditions throughout the supply chain, leading to labor abuses and exploitation.<sup>90</sup>

***Technological change:*** Globalization has also led to rapid technological change, which can disrupt traditional industries and work arrangements. This can lead to job losses and a decline in labor standards and working conditions in affected sectors.<sup>91</sup>

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<sup>86</sup> ‘World Employment and Social Outlook – Trends 2019’ (*Ilo.org*2019) <<https://www.ilo.org/global/research/global-reports/weso/2019/lang--en/index.htm>> accessed 27 April 2023.

<sup>87</sup> Carrère, C., Olarreaga, M., & Raess, D. (2022). Labor clauses in trade agreements: Hidden protectionism?. *The review of international organizations*, 17(3), 453–483.

<sup>88</sup> Ibid.

<sup>89</sup> ‘World Employment and Social Outlook Trends 2019’ (*Ilo.org*2019) <<https://www.ilo.org/global/research/global-reports/weso/2019/lang--en/index.htm>> accessed 27 April 2023.

<sup>90</sup> ‘Tripartite Working Group Agrees on a Way Forward for ILO Work in Supply Chains’ (5 July 2022) <[https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_850378/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_850378/lang--en/index.htm)> accessed 27 April 2023.

<sup>91</sup> ‘ILO Monitor: COVID-19 and the World of Work. 5th Edition’ (30 June 2020) <[https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_749399/lang--en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_749399/lang--en/index.htm)> accessed 27 April 2023.

## 8. Recommendations

Addressing the challenges of globalization on labor standards and working conditions require a comprehensive approach involving multiple stakeholders. Here are some recommendations:

***Strengthen labor protections:*** Governments should strengthen labor laws and ensure that they are enforced effectively. This includes promoting freedom of association and collective bargaining, ensuring minimum wage standards, and protecting workers against discrimination, forced labor, and child labor.<sup>92</sup>

***Promote social dialogue:*** Social dialogue between governments, employers, and workers can help to identify and address labor-related issues. This includes promoting tripartite consultations and negotiations to develop policies and practices that promote decent work and social protections.<sup>93</sup>

***Encourage responsible business conduct:*** Companies should be encouraged to adopt responsible business practices that respect labor standards and human rights throughout their supply chains. This includes conducting due diligence to identify and address labor-related risks, providing training and capacity building to suppliers, and engaging with workers and their representatives.<sup>94</sup>

***Support workers in precarious work:*** Governments and employers should work to improve conditions for workers in precarious forms of work. This includes promoting formalization, providing social protections and benefits, and ensuring access to training and skill development opportunities.<sup>95</sup>

***Foster technological innovation:*** Governments, employers, and workers should work together to harness the potential of technological change to promote decent work and improve working conditions. This includes supporting innovation in education and training, promoting social protections for workers in the gig economy, and developing policies to manage the transition to new forms of work.<sup>96</sup>

Implementing these recommendations will require political will, coordination, and collaboration among different stakeholders. Nonetheless, by taking a comprehensive and collaborative approach, it is possible to promote decent work and improve labor standards and working conditions in the context of globalization.

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<sup>92</sup> ‘World Employment and Social Outlook Trends 2019’ (*Ilo.org*2019) <<https://www.ilo.org/global/research/global-reports/weso/2019/lang--en/index.htm>> accessed 27 April 2023.

<sup>93</sup> *Ibid.*

<sup>94</sup> ‘OECD Due Diligence Guidance for Responsible Business Conduct - OECD’ <<https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>> accessed 27 April 2023.

<sup>95</sup> ‘World Employment’ (n 92).

<sup>96</sup> ‘ILO Monitor’ (n 91).

## 9. Conclusion

Globalization has had a significant impact on labor standards and working conditions around the world. The research reviewed in this study suggests that while globalization has contributed to economic growth and job creation, it has also led to a range of labor-related challenges, including wage differentials, precarious work, and unsafe working conditions.

The findings also suggest that multinational corporations and supply chain management play a critical role in shaping labor standards and working conditions. Therefore, it is essential to engage with these stakeholders to promote responsible business conduct and ensure that workers' rights are respected.

The recommendations provided in this study highlight the importance of strengthening labor protections, promoting social dialogue, encouraging responsible business conduct, supporting workers in precarious work, and fostering technological innovation to promote decent work and improve working conditions.

Overall, the implications of this study for the labor market are significant. The findings suggest that there is need for comprehensive and collaborative approaches to address the challenges of globalization on labor standards and working conditions. By promoting decent work and social protections, it is possible to ensure that the benefits of globalization are shared more equitably and that workers are protected from exploitation and harms.

Therefore, policymakers, employers, and workers must work together to develop and implement policies and practices that promote decent work and improve labor standards and working conditions in the context of globalization. Doing so will require ongoing coordination, collaboration, and political will, but it is essential to ensure that globalization works for everyone, not just a select few.