

VALUE CHAINS AND WORKER WELFARE: SOME COMMENTS

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ABSTRACT

The nature of global value chains remains by and large such that high value adding activities are concentrated in the transnational corporations based in developed countries, and these corporations are able to capture the lion's share of profits by virtue of their financial power, control on crucial technologies and most importantly monopoly on markets. Only a negligible share of value is captured in developing countries. Therefore, the majority of the workforce in developing countries is locked into low skill and low-wage situations with almost no scope for up gradation of work and upward mobility. In this anti-labour milieu without mutual gains, labour movements have recently emerged across Asia. This review paper posits a labourist viewpoint and the need for some new labour movement strategies without which labour welfare enhancement is unlikely in global value chains. It also calls for inside-the-firm research on how quality products are produced in these value chains without employment quality.

KEYWORDS: Value chains, Transnational corporations, Outsourcing, Asian labour, Worker activism, Labour prospects, Three views, Strategies for labour welfare, Three perspectives, Researchable issues

INTRODUCTION

A value chain refers to all the value adding activities in the production and distribution linked together in relation to the making and selling of a commodity, and a production chain, as a subset of the value chain, refers to the value adding activities in the production of a commodity. Various firms in the production chain are linked through contracting and subcontracting relations as also arm's-length 'purchase' transactions, and these firms can be classified into a minority of lead firms and a majority of supply chain firms. Value chains exist within and across countries, and it is impossible to track down all the firms/producers and workers in the production chains (Bose and Sinha, 2012a; JCB, 2013).

The neoliberal-imperial globalization governed by a kind of supra national state, structured in entities such as the WTO, World Bank, IMF and OECD, has increasingly institutionalised international capital mobility, and thereby provided a stable base for the new international division of labour that has taken shape in global value chains (GVCs). No wonder, over the last thirty years, a voluminous GVCs or global production networks (GPNs) literature has

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accumulated about an industry-centric view of economic globalization that highlights the linkages between economic actors and across geographic space. Sydor (Undated) gives a nice and brief definition of GVC thus: “A global value chain describes the full range of activities undertaken to bring a product or service from its conception to its end use and how these activities are distributed over geographic space and across international borders”.

As Helper and Krueger (2015) point out, we are here referring, more concretely, to how in recent decades,

“Economic activity has become fragmented in a variety of ways, with different phases of production often located far away from each other. A GVC links companies, often in multiple industries and multiple locations, to design, produce components, assemble and distribute a final product (such as a car or a computer). A canonical example is Apple’s iPod. Apple designed the product largely in the US, but does not manufacture it. The iPod’s parts come from the US, Japan (hard disc drive from Toshiba), Korea (memory from Samsung), and China (small parts from anonymous companies). The manufacturing is overseen by Taiwanese companies with factories in mainland China”.

The nature of international division of labour that the massive GVCs literature has unravelled to us, from the viewpoint of work and workers, is such that the low value adding, highly labour intensive ladders of the value chains are outsourced to the developing countries. The transnational corporations (TNCs), mainly based in the developed countries, which do this outsourcing, are able to capture the major share of profits by their effective control on high value adding R&D intensive operations of the value chains and their monopoly on markets and finances (see Chang et al., 2012; Cattaneo et al., 2010; Garwood et al., 2014). Apple, for example, captures about one-third of the output value; the value added in China from assembly, testing, and packaging is just about three per cent or less of the output price. Similarly, studies of tablets, mobile telephones and laptops suggest a similar division of activities and value in global production, in which advanced nations specialize in capital and high skilled labour, capturing most of the value (see Helper and Krueger, 2015). The paper by Kraemer et al. (2011) is an excellent study of this, perhaps for the first time, in respect of Apple’s iPad and iPhone.

We elaborate on this disproportional status of labour in value creation as follows, by drawing a bit on Pratap (2014)

GVCs and TNCs

Within-country value chains spreading across countries is reflected in the expansion of operations of transnational corporations across the globe. In 1990, the foreign affiliates of the top hundred non-financial multinationals of the world accounted for about one-third of their total assets and less than half of their sales and employment, but by 2008, they accounted for about 60 per cent of their total assets, employment and a far greater share of total sales. This was largely

done by mergers and acquisitions that increased at alarming rates, reaching an all-time high of \$4.38 trillion in 2007. Foreign direct investment stocks increased from 7.0 per cent of world GDP in 1980 to about 30 per cent in 2009. Currently, the revenues of the top 500 global corporations account for about 35-40 per cent of world income. By and large these corporations control all the GVCs.

At the same time, the expansion of GVCs is also reflected in an overall increase in trade among developing countries, and particularly in increasing share of parts and components in manufacturing trade. In Integrating Asia, the share of parts and components (PCT) in the manufacturing trade increased from 24.3 per cent in 1996 to 29.4 per cent in 2006. PCT trade among ASEAN countries increased from 35 per cent of manufacturing trade in 1996 to 43 per cent in 2006. Integrating Asia includes 10 members of ASEAN (Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) plus China, Hong Kong, India, Japan, South Korea and Taiwan.

East and Southeast Asia are well integrated into the GVCs, which are also known as global factories (see Pratap and Bose 2015a). This is reflected in the integrated value chains across these regions and with China as the hub of these networks. In general, South Asia's integration into GVCs has been comparatively delayed and slow that is reflected in near absence or very weak regional network of value chains. However, this applies more to those industries where the regional network of value chains has emerged as major strategy of profit maximisation (e.g. the electronics GVC). In other industries, such as textiles and apparel in which regional networks of value chains do not matter much, the South Asian countries are increasingly integrated in GVCs. Similarly in the automobile industry, in which the main assembly plants are required to be located in the vicinity of markets and a major section of supplier networks are required to be located in the vicinity of main plants, India has emerged as an important production centre.

In South Asia, the automobile industry is mainly concentrated in India. Even in a situation of lack of regional value chain network, India is gradually emerging as one of the hubs of electronics industry by virtue of its growing market. Currently the Indian industries particularly in electronics and automobiles are integrating more with East and Southeast Asia, rather than expanding their value chain networks in South Asia. This is reflected in the fact that ASEAN countries accounted for more than 10 per cent and East Asian countries more than 34 per cent of India's manufacturing imports. It is expected that with integration of South Asian economies, their integration with GVCs may also be accelerated and India may emerge as a regional hub of these value chain networks.

The nature of the GVCs in Asia is such that the TNCs based in developed countries (North America, Europe and Japan) dominate and occupy the Own Brand Manufacturer (OBM) positions; for the most part firms from the newly industrialised countries (Hong Kong, Taiwan, South Korea, Singapore, and also Malaysia), along with the TNCs of developed countries dominate at the Original Equipment Manufacturer (OEM) and Original Design Manufacturer

(ODM) positions and the developing countries of Asia are typically placed at low value adding, highly labour intensive positions of the GVCs.

In the 2000s, some significant changes emerged in the Asian structure of GVCs, though. South Korea increasingly moved up the value chains with the emergence of a significant number of globally competitive OBMs (along with greater specializations at the OEM and ODM levels), and Taiwanese firms consolidated their position as ODMs, with high technological capabilities. Hong Kong and Singapore gradually emerged more as trading and financial centres than manufacturing centres, and they moved further up in the value chains and acquired the positions of managers and financiers (service providers) of the GVCs. Recently, Malaysia also has entered the group of newly industrialised countries and moved up the value chains to mainly the level of OEMs and ODMs, and with some OBMs in certain sub-sectors of electronics and automobiles.

In recent decades, there has been some further restructuring of value chains in Asia. Mainly by virtue of their huge economies with huge home markets, many Indian and Chinese firms have moved up the value chains to the level of OEMs whereby a number of firms were able to emerge as competitive brands in their local markets, and a few emerged as globally competitive OBMs. This movement is stronger in China and visible in almost all sectors. In India it is visible only in a few sectors including information and communication technology (ICT) services, automobiles and garments. However, the upward movement in the value chains in China and India is unlike that of the newly industrialised countries where the whole economy moved up the value chains and the lower ends of the value chains were transferred to the under-developed, low-wage economies in the region. Both in China and India, with their huge economies, huge markets and huge regional disparities (inbuilt in the process of capitalist development) in level of economic development as well as in wages, there is immense scope for retaining their position as production hubs for exceptionally longer periods by shifting the low ends of the value chains to low wage locations within the country.

In China, even if in the overall picture the major trend remains that the industries in major special economic zones have moved up the value chains, the labour intensive operations have been outsourced to low wage locations in hinterlands. Increasing employment opportunities in hinterlands has thus significantly reduced the flow of migrant workers to major zones, creating a shortage of labour which in turn has put further upward pressure on wages in major zones such as the Pearl River Delta and further compelled the industries to shift to other low wage locations. In recent years, with increase in wages in China, orders worth tens of billions of dollars have shifted from China to various countries mainly in Southeast Asia. Increasing amounts of garment orders were shifted from China to Cambodia and Bangladesh, and some labour intensive firms in electronics were closed down. This gives a clear signal that China is compelled to move up the value chains in terms of specializing in OEMs, ODMs and OBMs, and in general it may lose in low value adding manufacturing industries, such as garments and labour intensive electronics.

Indonesia is another large economy in Asia with diversified industrial base and a strong possibility of emerging as another regional production hub in general but with a major focus on electronics industry. The opening of the production facilities of many global electronics brands, OEMs and ODMs including Foxconn, in Indonesia as well as India clearly reflects that these countries may emerge as new production hubs of electronics industry. Thailand is emerging mainly as an automobile production hub for the sub-region, and it is decisively moving up the value chains in this particular industry. Countries such as Sri Lanka, Bangladesh, Pakistan, Vietnam and Cambodia, along with India and China are emerging as major centres of textile and apparel value chains.

WAR AGAINST WORKING PEOPLE

The export-led growth models in the Asian countries combined with international mobility of capital have created dynamics in which all the developing countries are competing with one another for greater share of FDI and exports and this competition lastly takes the form of waging a war against the working people in their own countries. Amendments of labour laws in favour of capital, denying rights to organise and collectively bargain, large scale in formalisation (contractualisation/casualization) of employment and repression of trade unions and labour movements, are all targeted to keep wages low and create safe havens (dreamlands) for foreign investors. All these factors drastically reduce collectivisation and the collective bargaining power of labour.

The other side of the same dynamics creates similar situations in the developed countries. Shifting of industries from these countries has led to serious unemployment problems. In formalisation of workforce along with cut in social security benefits has increased their vulnerabilities manifold. The cumulative impact is felt in declining collective bargaining power of labour. Recurrent capitalist crisis situations is another important factor that increases the vulnerabilities of labour both in South as well as North. The workers in countries more dependent on exports suffer the worst. This was reflected in the recent global financial crisis (2008), when millions of workers in Asian developing countries lost their jobs, including those in India, Pakistan, China, Malaysia, Cambodia, Vietnam and elsewhere.

All in all, the whole development based on export oriented growth has benefitted only a small section of people in developing countries, who are engaged in managing and facilitating the GVCs including enterprise owners, managers, engineers, financiers, big traders, professionals in various services, and those running or engaged in higher positions in educational institutions, bureaucrats and politicians, while increasing the precariousness of the majority of working population. The economic development has no doubt transformed the developing economies from agrarian to urban/industrial economies in terms of composition of GDP, but this structural change was unable to create enough employment opportunities. Therefore major sections of workforce are compelled to survive on tiny agricultural holdings or precarious informal sectors. This economic development was also accompanied with large scale dispossession of the people

from their means of livelihoods. The cumulative impact of the appropriation of the resources of the small producers has been exceptional expansion of reserve army of labour. This process, known as 'primitive capitalist accumulation' is well discussed in historical perspective by Patnaik (2014-15). This is also discussed as accumulation or development by dispossession (see Bailey, 2014-15; Bhaduri, 2015).

The nature of economic development on the above lines has also led to emergence of strong monopoly corporations controlling the economies of nations and thereby also decisively impacting the politics and policies of these nations. For example, in South Korea, the five largest *chaebols*, i.e., Samsung, Hyundai Motor, SK, LG and Lotte, accounted for about 55.7 per cent of South Korea's GDP in 2010. Samsung alone accounts for more than 20 per cent of the GDP of Korea. These *chaebols*, especially Samsung, play a decisive role in framing South Korea's economic policies and politics in general, and this dynamics is always reflected in the state's policies in terms of the dominance of 'profits over the people'. Similar situations are emerging in many developing countries as well where a few bigger corporations are dominating the economy and influencing the politics and policies.

Moreover, with the emergence of supranational institutions with an authority to legislate as well as powers to enforce legislations internationally and regionally, and with a broad consensus among most parliamentary parties on neoliberal-imperial globalization in almost all the Asian countries, the power of working class to influence policies in its favour, is minimised to a large extent. The implications of this are felt in democracies virtually getting reduced to formal democracies, wherein people may elect and change the governments but this does not bring any change to the politico-economic regime of predatory exploitation and expropriation.

LABOUR PROTESTS

It is in this backdrop that a new kind of labour movement has emerged in almost all Asian countries. The year 2010 was, in fact, dubbed as the year of labour protests in China/Asia.

In the advanced economies of Asia, the major issues of the labour movement are related more to shifting and closure of firms, the privatization and sale of firms, the retrenchment and downsizing of the workforce, the downgrading of social security benefits, the rise in non-regular workers, the violation of trade union rights, the shrinking space for collective bargaining, and stagnant or declining wages. In the relatively underdeveloped countries of Asia, the major issues are related to low wages, minimum wages becoming maximum wages, excessive working hours without any rest, the alarming rise in occupational health and safety problems, very minimal or no social security benefits, very limited or absolutely no scope for collective bargaining, and brutal forms of repression of workers and trade unions (Pratap and Bose, 2015b and 2015c; Pandita et al., 2013; Tarzen and Sabet, 2013; Chen et al., 2013; Bose, 2012a).

Among the advanced Asian economies the hot spot of the labour movement is clearly emerging in South Korea and this is reflected in a number of strikes involving factory occupations, and in

the exceptionally large-scale demonstrations such as during the recent railway workers' strike against privatisation. It is also reflected in the large-scale and very lethal forms of repression unleashed on the Korean workers' movement.

In East Asia, China and Vietnam have clearly emerged as hot spots of the labour movement. In recent decades, the labour movements here have been able to achieve some kind of collective bargaining rights, even if the legal situation remains by and large the same with the monopoly presence of official trade unions.

In Southeast Asia, Indonesia and Cambodia have emerged as hot spots of the labour movement. In Cambodia, the labour movement is centred in garments. In Indonesia it appears as a general phenomenon and is reflected in the massive general strikes in 2012 and 2013.

In South Asia, India, Bangladesh and Pakistan are emerging as major flash points of the labour movement. In Pakistan this is more focused in the textile industry and in Bangladesh it is centred in garments. It appears more as a general trend in India, but it is very much focussed in some sectors such as automobiles, electronics, food and textiles.

It must be noted all the same that many intense struggles of workers in the underbelly of 'Make in India' have gone almost unnoticed, as the Honda workers from Tapukara, say. Labour activists point to parallels between the historic workers' mobilisation in Maruti Suzuki's Manesar car plant in 2012 and the recent upheaval at Honda's Tapukara motor cycle plant in Rajasthan adjacent to Haryana. The brutalisation of the managements and their goons/bouncers and the state machinery that one witnesses in such struggles need not be described here. Such bloody struggles by the workers at the higher end of the production chains come into the open now and then and they show how even the most protracted struggles do not ensure any modicum of justice from anywhere to workers (see Pratap and Bose, 2015d). Most of the workers in the lower tiers of the production chains have neither unions nor staying power to fight even in the short run. Given that the currently ruling NDA government is about to legalise and expand contract labour much to the delight of the local and foreign industrialists even as the established trade unions seem to be not strong enough to resist such moves (Sampath, 2016a and 2016b), little wonder that the Chinese manufacturers of, for example, mobile phones are shifting their production chains to seek sizeable "labour arbitrage" out of the informalisation and repression of labour in India (see India Today, 2016).

LABOUR PROSPECTS: THREE VIEWS

In light of this understanding of the dynamics of international capital mobility and global value chains, as well as the labour movements emerging across Asia, the question arises as to whether labour activism can go a long way in improving the working and living standards of the workers. There are optimistic, pessimistic and in-between the extremes forecasting in this regard.

Chen et al. (2013) capture well the shot of optimism thus:

“The ascent of ‘global neoliberal capitalism’ has created ‘opportunities for counter-organization’... as attested not only by the rise of transnational labour movements and global anti-sweatshop campaigns but specifically by growing labour unrest in China. Increasingly aware of the opportunities presented by the demand by Apple and other technology giants to meet quotas for new models and holiday season purchases, workers have come together at the dormitory, workshop or factory level to voice demands. Internet and social networking technology enables workers to disseminate open letters and urgent appeals for support.... The question remains whether workers will be able to win the right to freedom of association and ultimately strengthen a nascent labour movement that is capable of challenging the unfettered power of capital in a milieu in which fundamental labour rights such as the right to strike are lacking...A historical counterweight to global capital, West and East, exists in workers' and civil society's response ...If the new generation of Chinese workers succeeds in building autonomous unions and worker organisations, their struggles will shape the future of labour and democracy not only in China but throughout the world”.

This incipient optimism needs to be contrasted with the overwhelming despondency and defeatism of the socially marginalized voices of the peasants turned into workers on the receiving end, as movingly brought out, for example, with regard to China by Pai (2013). While the anger of the Chinese working class may have the potential to shake up the Chinese businesses and authorities, this anger has not yet crystallised into a collectively organised, credible countervailing power against the predation of Chinese capital and state and the multinationals in China and elsewhere. That the fragmented as also horizontally and vertically segmented workforce is doomed, despite sporadic and localised unrest here and there, is the downright pessimism here.

The in-between moderate view is an exploratory one and is projected by Chan (2015). According to her, a grounded forecasting will be the one which addresses the moot question as to whether there is an erroneous view about Chinese labour in particular and Asian labour in general held by the international labour community, which is unrealistically optimistic about the militancy of Chinese/Asian workers, overestimates Chinese/Asian migrant workers' ability to organize, is either overenthusiastic or unfairly critical of the impact of labour NGOs on China's/Asia's labour movement, and either demonizes Chinese/Asian trade unions or is overly ebullient that they are reforming themselves. She, therefore, calls for a better understanding of the situation of Chinese or Asian workers today and what the future has in store for them by placing Chinese/Asian labour relations in comparative perspective. Only this way we will be able to gauge the strengths and weaknesses of the labour movement in different parts of the world. And

this may also throw some light on the “pessimism of intellect and optimism of will” a la Antonio Gramsci in relation to the labour against capital battle or on why there has been no popular movement spearheaded by labour against capital and state.

Is it the labour movement or is it the ecological movement and its degrowth economics (Smith, 2013) which will eventually and effectively contest the savage capitalist status quo? This, as a by product, is a moot question befitting a separate enquiry. Also, alternatively, it may be noted that some economists from the Left have argued, and argued well that only delinking from the process of globalisation and engineering domestic-demand led growth can usher in labour welfare enhancing development (Patnaik, 2016; Palley, 2002). But again, how this can come about depends first on crossing over the national and international establishmentarian political hurdles which is easier said than done.

Sticking to our focus here on labour prospects, in light of the above three viewpoints, we think that whether the labour movement acquires the countervailing power to make a difference to the working conditions in value chains depends, concretely, on whether the eight strategic concerns as mentioned below, become integral to worker activism not only in China/Asia but also worldwide.

First, informal/non-regular workers are increasingly making up a greater and greater share of the workforce in almost all countries and all industries. For example, in the Indian context, analysts of NSSO data on employment and unemployment have shown repeatedly that a large number of workers (77.1 per cent) do not have written job contract in the labour market and close to 70 per cent do not enjoy social security (Shyam Sundar, 2016). And in his field work, Bose (2012a) had found non-regulars in the range of 70 to 85 per cent in the lead factories, and almost 100 per cent in most of the supply chain factories. According to the union called Honda Motorcycle & Scooter 2F Kamgar Samuh, recently this brand or lead company threw out the regulars at Tapukara and replaced them with 100 per cent contract workers. Suzuki India now, as Maruti workers say, unabashedly runs its Manesar plant with cent per cent informalisation. In such a milieu as this, which is widespread almost everywhere, the collective bargaining power of labour at the firm level has declined drastically. The strategy as a way forward may, therefore, be industry level bargaining for fixation and revision of minimum standards for wages, working conditions and occupational health and safety (OHS) across the industry, with an ensured space for firm level collective bargaining over and above the minimum standards.

Secondly, the minimum wages are becoming maximum for most workers irrespective of experience and seniority. Minimum wage legislations and Minimum Wage (MW) Boards periodically revise the minimum wages to adjust them for inflation, but wage increment policy is not included in MW legislation in any country. MW in most of the countries is actually below the amount that one arrives by the accepted methods of MW determination, and the process is never transparent as the breakup for different items that make up MW is never disclosed.

Therefore, the wage increment policy and transparency in fixation and revision of MW may be the focus of labour movement's strategy for its way forward.

Thirdly, brands and contract manufacturers (OBMs and OEMs) for which the local units produce, are equally responsible as employers (sometimes even more responsible) along with local employers and therefore they must also be made equally responsible under labour laws for ensuring decent wages and working conditions and collective bargaining rights to workers. Moreover, the labour laws must be universally applicable to all workers including informal sector workers.

Fourthly, solidarity across the value chain in a particular country and international solidarity across the value chain in a particular industry is an important determinant for effective collective bargaining and effectiveness of the struggles for labour rights. International solidarity is perhaps the most effective weapon in the hands of working class to challenge the disastrous movements of capital.

Fifthly, organising the informal workers to empower them economically, socially and politically may be an important part of the rejuvenating strategy of the Asian labour movement. Helping informal sector workers in making their livelihoods more economical and more sustainable and to move out of reserve army of labour, may bring a great impact in terms of increasing the collective bargaining power of workers in general.

Sixthly, the working class movements in Asia can advance only if they are able to build significant political power to affect the socio-economic policies at home. It is this realization that accounts for consistent efforts particularly in South Korea and Indonesia towards political consolidation of the labour movement. There are such moves in other countries as well but these have still not emerged as a strong trend.

Seventhly, labour activists need to understand the dynamics of new global politico-economic regime and new international division of labour shaped in global value chains. That the workers and their leaders must know how to locate themselves in the supply chains and thereby their position in the global economy and also apply their minds to thinking globally and organizing globally as well, is very well conveyed by Quan (2008). Without an exposure and linkage with the broader labour movement at country level, and at international or at least regional level, it is impossible to build sectoral and international solidarity needed to win the struggles in new situations. Therefore, the training and education of activists, as well as providing them with exposure to regional labour movements, emerges as an important focus area for Asian labour movement.

And lastly, increasing corporatization and monopolization of the media and their systematic, inbuilt anti-labour agenda has created a situation wherein labour has become invisible, and its

actions are by and large made ineffective. In these situations, it becomes increasingly important for labour movements to create their own national media.

CONCLUDING REMARKS AND RESEARCHABLE ISSUES

Surely, “all is not well” in GVCs, from the viewpoint of development with worker welfare. There is an academic concern of promoting mutual gains development in them, though. Helper and Krueger (2015), for example, have lately addressed the question thus: “How can value chains consistently achieve desirable outcomes such as wage growth, high workplace standards, and firm profitability for all the participants?”

They have taken stock of the situation in this regard by examining three perspectives, and come to the following understandings. According to the “multinational-led development” perspective, GVCs can play a key role in economic development if trade policy facilitates the actions of the MNCs that lead these value chains. This perspective professes that stakeholders in all parts of the value chain do best if trade agreements and national policies focus on ensuring lead firms a return on their investment in building out supply chains, by promoting a smooth flow of goods and services, low tariffs, and strong protections for intellectual property and other investments. However, evidence suggests that it is unlikely that MNCs on their own have sufficient incentive to invest in all socially-beneficial supply chain collaborative activities. By contrast, there is the “race-to-the-bottom” perspective which argues that the multinational-led development creates conditions for sustained poverty and exploitation. The fierce competition to enter GVCs means that firms which cut corners will generally win contracts. The lead firms do not have incentives to promote development of firms or workers at lower levels of their supply chains. However, this perspective too is not correct according to Helper and Krueger. For, evidence shows that consumer pressure and the private benefits of innovation do mean that lead firms have some incentives to invest in supply chain upgrading. They, therefore, settle down for the in-between extremes “reform” perspective, that while GVCs do not automatically promote development, a combination of trade agreements that protect worker rights and allow space for national development as also complementary domestic policies that help establish and upgrade productive eco-systems can bring about desirable developmental outcomes. In other words, a proper linking of public, private and social forms of governance of GVCs through international and domestic institutions can do the job of promoting mutual gains development. Evidence, according to Helper and Krueger, does favour this perspective despite the massive caveat that there is still need for serious empirical research on the gains from global network integration and on its costs, especially in terms of barriers to domestic upgrading.

In relation to our own studies and conviction which are in tune with the bearish race to the bottom perspective (JCB, 2013; Bose, 2012b), this bullish reformist or win-win kind of perspective of Helper and Krueger, seems to us, *prima facie*, to be very much similar to the sweet academic metafiction of ‘mutual gains enterprise’ propagated as a solution for ‘labour problem’,

for example, by Kochan and Osterman (1994) as against the bitter antagonistic and tragic contradictions and confrontations among the stakeholders in business and economic life. Evaluating the pragmatism of the reformist perspective can nevertheless be a good exercise but is not the concern of this paper.

What is actually happening to labour in the GVCs, and what is really the scope for labour welfare enhancement in them from the viewpoint of the workers and their organisations on the receiving side, is the concern of this paper.

The widespread Asian labour protests clearly testify to the degradation of labouring in these chains. Raw labour recruitment, neo-Tayloristic/Fordist labour processes, macho labour management styles and unequal inter-firm power relations in these chains militating against labour welfare have come under heavy fire from researchers of industrial and economic democracy and quality of work life (see Bose, 2012b; Bose and Sinha, 2012b). A latest book on labour in GVCs in Asia in a variety of sectors ranging from labour intensive ones like garments, fresh fruits, tourism, to medium and high technology ones like motor vehicles, electronics and telecom, and knowledge intensive ones like IT software services points to the underside of participation in GVCs—such as the continuation of sweatshop conditions in several sectors, the persistence of child labour in many parts of GVC manufacture; the appearance of new forms of Taylorism in Call Centres; the high incidence of precarious employment in low-knowledge tasks, and so on (Nathan et al., 2016). The contributions in this volume have covered a number of countries across Asia such as Bangladesh, Cambodia, China, India, Indonesia, Sri Lanka and Vietnam.

Some researchable issues need to be mentioned as follows in light of our discussion above.

The first and foremost researchable issue is as follows. For a long time, a shamefully under-researched area has been why the low road exploitation of labour continues (resulting in labour trouble) despite technological and organisational innovations used in GVCs to bring out quality products at competitive cost. It is now clear that the HRM (Human Resource Management) theories and the like about worker empowerment and good incentives for total employee involvement in order to facilitate technological and organisational innovations like automation, just-in-time production and inventory control, total quality management (including total preventive maintenance), six sigma, value engineering, business process engineering, ISO certification and the like fads and fashions of management (Furnham, 2015) deployed for manufacturing excellence in workplaces of value chains do not have empirical validity (Bose and Kumar, 2012; Bose and Sinha, 2012). How quality products are produced without quality of employment in these value chains has, therefore, been a mystery that factory engineers and managers have shunned for unravelling to the public concerned about humane production standards. As such, business school professors and students must address and unravel this

inside-the-firm issue instead of singing the power-and-glory lullabies of HRM which has nothing but the euphoric-doping-effect in the classrooms.

Leibenstein (1989) had goaded his fellow mainstream economists to do analysis of inside-the-firm dynamics, but economists have been useless in this regard as most of them do not know and do not want to know the nitty-gritty details of how inputs are converted into outputs on the shopfloors and the associated incentives/disincentives, human relations and politics of production. Not many of them care for the remarks made by Standing—the former Director of the Socio-Economic Security Programme of the ILO—thus: “One of the founding fathers of modern economics, Alfred Marshall, in discussing how to understand the functioning of the economy, urged his followers, ‘Go into the factory’. Too few social scientists have done so, to the detriment of their disciplines and policymaking. A century later, a great deal can still be learned by probing the dynamics of firms, as they emerge, grow, die or are regenerated. This is particularly the case with respect to labour issues. Surprisingly, relatively little is known about labour dynamics, and much reliance by policymakers and analysts is placed on anecdotal material and unverified statements. In spite of globalisation, the local labour market is still where work and development take place” (Standing, Undated). Unlike the anthropologists or sociologists, the “show me your model” variety of economists do not value fieldwork based research as it ought to be (see Helper, 2000; Coppola, 2016).

Besides, as the Marxist Perelman (2011) makes it clear, mainstream or neoclassical economics is blatantly wrong. It ignores or distorts the most fundamental aspect of the reality that the vast majority of people must, out of necessity, labour on behalf of others, and be transformed into nothing but a means to the end of maximum profits for their employers. The nature of the work working people do and the conditions under which they do it profoundly shape their lives. And yet, both of these factors are peripheral to mainstream economics. By sweeping labour under the rug, mainstream economists hide the nature of capitalism, making it appear to be a system based upon equal exchange rather than exploitation inside every workplace. Perelman describes this illusion as the “invisible handcuffs” of capitalism and traces its roots back to Adam Smith and his contemporaries and their disdain for working people. He argues that far from being a basically fair system of exchanges regulated by the “invisible hand” of the market, capitalism handcuffs working men and women (and children too) through the very labour process itself. Neoclassical economics attempts to rationalize these handcuffs and tells workers that they are responsible for their own conditions. What we need to do instead, as Perelman suggests, is to eliminate the handcuffs through collective actions and build a just society that we direct ourselves. But this solution may come about in the long run when we are all dead, so to say! In other words, it is a day-dreaming solution for the time being.

There is a somewhat heartening development, belatedly though, by way of an inquiry into why there is economic/industrial upgrading without social upgrading in GVCs (see Barrientos et al., 2011; Milberg and Winkler, 2013), but, unfortunately, this research has not really revealed the

inside-the-firm decision making and implementation processes in this regard. To put it differently, labour process analysis is missing in this research. Funded by the befuddled ILO, much of this research has only babbled on the “decent work deficit” (i.e. lack of social upgrading by way of improvements in the wages, conditions, rights, gender equality and economic security of workers) in the presence of mass poverty and inequality in developing countries in conjunction with “global governance deficit”! Note that the ILO’s ‘decent work’ accommodates temping (informalisation) and does not have open-ended, written employment contract as a component, which we think is the must requirement for any improvement in other conditions of work. We believe as Freeman and Li (2013) do and many labour activists too do, that formal contracts are the key to enforcing workers’ rights.

The ILO has indeed cannibalized its claim to be the custodian of the working class. It may be noted that “labour is not a commodity” was the first principle of the ILO at its birth, but in the on-going neoliberal era, the ILO has succumbed to the pressure to accept the doctrine that market forces are the prime means of improving the economic lot of the working people, despite all the historical evidence to the contrary (Higgins, 1997; Standing, 2008). Also to be noted is the point that the first principle of the ILO establishes the idea of an improved moral understanding between capitalist and worker which is conspicuous by its absence. By contrast, “worker cooperatives”, which operate without wage labour and private property and exist in some parts of the real world, are a better idea put into practice as they do represent a form and means of association between people (i.e. the working class) that is against the capital-labour relation inside despite being in the outside social world of capital and thereby carrying the inability to entirely transcend capitalism (Winn, 2014).

Coming back to the question of industrial upgrading without social upgrading, if quality products can be churned out with technological and organisational innovations or engineering and managerial innovations associated with garbage labour contracts (temping) and labour rights deficits, i.e. without quality employment, then it is certainly a futuristic bad news for workers. Recent studies in the West and in China and India, for example, confirm this news with respect to textile, garment, LED lighting and automobile industries (Yates, 2001; Butollo, 2014; Zhang, 2015; Bose, 2012a).

Consider, for instance, the very fascinating findings of Butollo (2014) who has assessed the impact of upgrading strategies on skill requirements, employment patterns and wages in the LED lighting and textile and garment-making factories in the Pearl River Delta in Guangdong province that has indeed become representative of China as the ‘factory of the world’.

In the strategic emerging industry of LED lighting, most companies have increased their technological strength by continuously improving products and processes. They have also undertaken functional diversification and launched their own brand products. However, high-

tech manufacturing processes are combined with very low-skilled and low-paid labour. A very young, low-skilled and poorly paid temporary migrant workforce constitutes the majority of line workers at the bottom of the occupational hierarchy. Most of these line workers are young women. They are assigned low-paying repetitive tasks. At the top of the hierarchy, there exists a minority of highly paid, skilled project managers, that is, managers with technical proficiency. In the middle are the technicians and sales people who are young university graduates or staff from technical schools. These people accept low wages and long working hours due to the prospect of advancing to a higher position. Such a prospect is denied to the line workers as their jobs do not require formal education.

The textile and garment industry is composed of the knitwear, fashion and textile (fabric-making) industries. In the knitwear enterprises, there is functional upgrading towards brand manufacturing. Additionally, there is also process upgrading through automation (i.e., using computer (or computerised) numerical control (CNC) machines). The former has enhanced demand for a small number of highly skilled workers in design and administration. The latter has reduced the number of manufacturing workers and deskilled them. A most fascinating finding with regard to the CNC machines is that even illiterate workers, guided by visual elements, can oversee their faultless operation; and the manufacturers of these machines deliberately make them with a view to deskilling the machine operators. The fashion enterprises have undergone up-gradation in terms of strengthening their capacities in product design and marketing resulting in the polarisation between creative and marketing functions requiring higher-skilled staff on the one hand, and low-skilled manufacturing functions on the other. It is clear that the growing sophistication of marketing and designing does not require skill upgrading at the level of production. In some cases, a growing sophistication of the production process in the name of 'lean production' has had adverse effects on the skill requirements and wages of workers engaged in sewing. There is product upgrading among the textile units, but this has not affected the work of the weavers who do low-skilled and very repetitive tasks. There is demand for skilled workers in the R&D departments and in the operation of sophisticated dyeing and finishing equipment.

Everything considered, industrial upgrading in the LED lighting and textile and garment industries has not resulted in social upgrading for the majority of workers who also work excessive hours with increasing work intensification. Technological change certainly does not in itself give rise to social upgrading. On the contrary, when firms upgrade, there is polarisation between knowledge-intensive work and basic manufacturing work. Most workers are engaged in the latter category of work and so do not benefit from industrial upgrading. This is the case with the leading firms in the industry. Since most firms are involved in basic manufacturing work, their workers do not benefit from any kind of skill up-gradation. There is as yet, in general, no end to cheap labour and cheap working conditions in value chains.

Butollo's final conclusion is therefore as follows:

...the present study highlights that companies in the Pearl River Delta have little interest in voluntarily improving workers' employment conditions. The central and the provincial governments, on the contrary, do show a motivation to harmonise labour relations, but the close bonds between enterprises and state officials that developed on the local level in the course of China's reform era, as well as the ineffectiveness of mechanisms for an effective regulation of labour relations, mean that such efforts often end in talk. International institutions have placed their hopes mainly in voluntary initiatives for Corporate Social Responsibility (CSR), which may have contributed to curb some excessive instances of exploitation, but which suffer from a lack of accountability and enforcement mechanisms. They are often undermined by competitive pressures as well as downward pressures exerted by the very international brands that at the same time urge suppliers to improve their CSR practices...In concrete terms, the critical issues concerning social upgrading in China include the question of democratic representation of workers and their right to organise, the implementation of effective collective bargaining systems, and the determination of basic standards concerning the conditions of employment and wage systems in collective contracts...the coming years will see a further proliferation of labour conflict in this region which during the last decade has constituted the epicentre of labour unrest in China...in the last analysis, workers agency needs to play a prominent role in aligning economic development in a way that allows workers to reap its rewards (pp. 360–2).

The second researchable issue, thus, concerns the workers agency. Now that labour protests have come into limelight in China/Asia due to extreme labour exploitation, it is also clear that any worthwhile scope for labour welfare enhancement in global value chains, if at all it exists, lies in the labour movements in different countries coordinating among themselves, from below, through concerted actions corresponding to the new strategies for betterment that we have outlined above. Efforts to this effect need to be researched and documented (see, for example, Chan, 2016). Global and national governance, from above, of value chains (à la the reformist perspective mentioned above) in favour of decent work for the working people may emerge out of the pressures created by these globally connected labour movements from below. A good example is the recent placement of rule of law (specifying longish formal labour contracts) in the Chinese labour market by the Chinese Communist Party due to unprecedented labour unrest. And after all, history testifies to the fact that the state and employers do not, on their own, create good employment conditions without pressures from the employees and the bitter struggles of the underdogs. In the absence of institutions supporting workers as it is de facto now, if national,

regional, and international solidarity struggles enhance labour welfare from below as well as above, then it is a futuristic good news for workers.

All in all, for those interested in a just society in terms of economic development with labour welfare, as we are, the above research concerns are of utmost importance. After all, the working class is the foundation of our economy and society and any conversation around improving them must include their concerns, and in this regard Newsome et al. (2015) have made a right beginning in developing a cutting-edge labourist perspective of GVCs by addressing for the first time the question thus: What does life look like for the GVC workers who make the goods which global markets thoughtlessly consume? The contributors to this book have examined this question in relation to the GVCs concerning digital entertainment, parcel delivery, e-waste, apparel, garment and electrical, call centre, apple ecosystem and app developers, etc.. And we have examined the same in relation to garment, electronics and automobile chains. There is no 'high road' treatment of labour. There is nothing but the 'low road' stretched out for most of the workers who dislike and resent it in very many ways (Pratap 2011a and 2011b; Pratap and Bose, 2015e).

As such what do industrialists and their top managers really mean by their cacophony of "worker empowerment", "total employee involvement" and "cooperative labour relations"? This needs to be empirically researched and deciphered, preferably by those HRM ideologues who have generated HRM theories of innovative capitalism improving the lot of the workers inside workplaces through, inter alia, "long term relations", "information sharing", "gains sharing", "union-free fair grievance redressal mechanisms", "empowerment" and the like. This is the third researchable issue about the 'revealed preferences' of the bourgeoisie and their petty bourgeois agents including the intellectual elites directly or indirectly working for them, so to speak. Interestingly, it may be noted here what the political scientist Weissberg (1999) had remarked, which is that "empowerment" as the immensely popular remedy for all social and economic ills (including labour relations problems) was after all a fictitious promotion made by the academics so that their careers might flourish from publications about uplifting!

In connection with the third researchable issue, it is also worth examining parallelly how effectively institutions such as the World Business Academy—a non-profit think tank and action incubator—are influencing the businesses to shed their zero sum games and the associated predatory philosophies and practices and assume responsibility for the whole of society including the working classes (see <http://worldbusiness.org>). This is the fourth researchable issue.

To finally conclude, we may say that in the absence of quality production with quality employment and grassroots pressures for global and local institutions supporting workers, economic development in terms of firm-level upgrading in GVCs in the context of unlimited

supplies of rural-urban migrant labour in Asian countries will only amount to nothing but continuation of degradation of work and employment relations that has been known since the beginning of capitalist development.

What still holds good is the Marx's thesis, which is also the Braverman's thesis about the tendency towards the polarisation of working conditions under capitalist development, that is, concerning the degradation of work for the vast majority of workers and the upgrading of work only for a relative few (Braverman, 1998). This is the theory and this is also the praxis of labour process that is unbeatably valid under capitalism of all variants that we have known since long.

As for the dynamics of the labour movement to bring about the downfall of savage capitalism, it continues to be an enigmatic topic of frustrating dead ends as also hopeful forward moves, especially by the informalised cheap workers (of the bargain-basement economy, so to say) who now constitute the overwhelming majority of the working people (Kahle, 2014-15). And this concern spills over into very complex and intriguing debates about not only contemporary class structure and class struggle in general but also about whether the working people in particular are heading towards solidarity or fragmentation given their broad structure in terms of "salarariat, proficians, proletariat and precariat" in the context of the global trend towards flexible labour markets and practices, which we cannot evaluate here (see GLJ, 2016).

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