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Key Trends in the Global Labor Market

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In this study, the globalization of the labor force and its reflections on the labor markets are discussed. In this section, the results of the study will be evaluated. The fact that production can be divided into stages has enabled the production of each stage of production to be produced where it can be produced at the lowest cost internationally, thus production is organized in the form of global value chains. Global value chains have a hierarchical structure based on power relations. At the top of the chain is an oligopolist MNC, while at the very bottom there are a large number of micro-production units that compete against each other with costly competition. This situation causes an asymmetric structure in international markets. The globalization of the workforce is in the form of such a production organization and participation in such international markets. The pressures that transfers to reduce the cost of production make them feel at different intensities depending on the level of labor force being added to a ring in the global value chain.

Keywords: market, labor, global

Introduction

Starting from the 1980s, there is a globalization process in which trade and capital flows are increasingly liberalized. When it comes to globalization and crisis, the first problem that comes to mind is the financial area. However, as a result of deregulation and production globalization as a part of globalization in labor markets, the increase in unemployment, the shift to the precarious forms of employment, the decline in real wages, job security, and so on strengthened trends such as erosion of social rights and non-unionization point to the deepening crisis of the workforce. Even in the case of a financial crisis, the recovery in labor markets is very long.

Globalization of Production: Global Value Chains and Asymmetric Power Relations

Since the 1980s, the global trade volume has widened, but more importantly, there has been a qualitative change in the structure of international trade: the division of production (Milberg, 2004, p. 45). Production can now be divided into various stages, each stage is produced where it is produced at the cheapest, and then assembled and final product is completed. In this framework, the increase in the value of absolute trade has been observed rather than comparative advantage in international trade (Milberg, 2004, p. 45).

Asian countries, such as Japan, Singapore, Taiwan, and Hong Kong, have exported financial capital to poor Asian countries such as Indonesia, Thailand, and China, where they have operated assembly factories (Hu Dehart, 2003, p. 246). Thus, developing countries that are relatively richer and industrialized (GOU) are now undertaking the duty of intermediary alt for large multinational companies as subcontractor. The production is

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organized in the form of global value chains by dividing the production stages to take place in other parts of the world.

Global Value Chains

Global value chains are the new way to enter international markets for GOIs (World Bank, 2003, p. 45). Production in a value chain; capital density, labor skilled or unskilled etc. it is divided into different stages according to the requirements and each stage is shifted to where it can be produced at the lowest cost (World Bank, 2003, p. 46). Within this framework, the stages that were previously produced within the company are started to be done in the form of outsourcing. It is thought that technological advances in transportation, information, and communication, development of product standards, reduction of tariffs, liberalization of services trade, development of new financial calculation methods, and political reforms play a role in the development of global value chains (OECD, 2007, p. 13). Thus, in the 1950s and 1960s, multinational corporations (MNCs) established branches to enter other local markets.

At this point, it would be appropriate to refer to the new method of calculation, which allows calculation of the expected returns of shareholders in the field of finance since the 1980s (Palpacuer, 2008, p. 395). Firms should now meet this expectation by creating returns at an expected rate and/or reducing costs. This has led to a risk transfer from shareholders to companies. Companies also reflected this risk to their suppliers and employees through the externalization strategy. Palpacuer emphasizes that this transformation in the field of finance should be considered as one of the important reasons for the shift to global value chains. According to Palpacuer, as a result of this transformation, the historical Fordist alliance established with the workers in the company came to an end and a kurulan transnational capitalist class bağlantı, which lost its connection with production, was born (Palpacuer, 2008, p. 397).

The method of measuring the international outsourcing is to look at the ratio of the total number of searches to the total number of searches within the manufacturing category (World Bank, 2003, p. 55). The increase in exports of parts and spare parts is another criterion for joining global value chains.

Subcontracting Relations and Asymmetric Structure in International Markets

In global value chains, there are various ownership structures, from elbows-based relationships to the production of standard products, to branch-building for specific product-specific spare parts production (World Bank, 2003, p. 59).

The main company that is the leader of the value chain is a MNC. If the Leader MNC wants to protect technological knowledge of a production process, it follows the strategy of internalizing the production process and makes foreign direct investments. However, if the MNC wishes to reduce the cost of labor by making use of the administrative costs (World Bank, 2003, p. 60) or by using the cheap labor force by contracting with a domestic firm which is much more dominant to the employees and the establishment of the company, it will prefer the strategy of externalizing firm the production process (Milberg, 2004, p. 45).

Externalization strategies of firms are carried out within the framework of sub-contractual relationships. According to OECD (2007), the sub-contracting means that production is carried out outside the enterprise (OECD, 2007, p. 14). There is an organization based on cooperation or partnership relationship among non-branch firms. The contractor must satisfy the technical or commercial conditions of the product. The same firm may be the subcontractor of various customers, or may be a contractor of smaller firms. Participation in a global value chain with subordinates allows small-scale firms to enter the global markets indirectly at much lower costs than they would encounter when they moved on their own (OECD, 2007, p. 16).

It should be noted that as the MNCs grow and grow stronger and the competition between the subcontracts in the lower link of the value chain grows, the asymmetric structure in the international markets is deepening. The emergence of such an asymmetric structure in the international markets and the strengthening of it should not be overlooked because of the hierarchical structure in the global value chains.

Hierarchical Structure of Global Value Chains

The value chain has a hierarchical structure resembling a pyramid, and at the top there is a parent company bulunmak, which maintains a vertical integration strategy and establishes links with suppliers. If we look at the scale of the main company, for example, the Japanese ITOCHU company has 138 offices in 74 countries and a company that manages multiple value chains including food, restaurant chain, textile, and solar energy (Forbes Asia, 2009).

MNCs are global buyers. It is observed that these giant firms are increasingly turning to planning and management in the global networks of suppliers and firms, while they are drawn from the stages related to direct production (Pietrobelli & Saliola, 2008, p. 949).

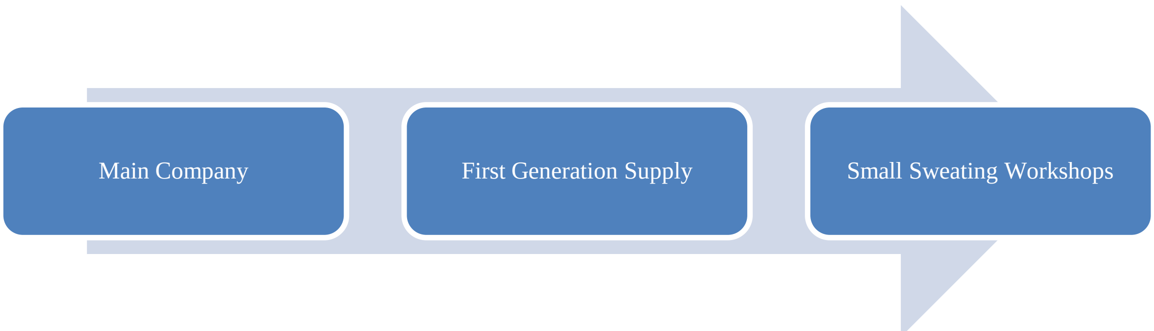

*Figure 1.*Hierarchical structure of value chains.Source: Sachetti and Sugden(2003, p. 683).

As can be seen from Figure 1, in the hierarchical ranking, the main firm is followed by the first generation suppliers who are highly specialized in the common R&D and joint design projects together with the parent company. These are large or medium sized, few and extremely privileged suppliers. They do business in the framework of long-term contracts and single sourcing agreements with the parent company. The two parties cooperate and exchange information until the problems in production are resolved. On the other hand, as we approach the bottom of the pyramid, it is seen that firms’ scales are reduced, technological expertise levels decrease, and competition rises. At the lowest level, there are a large number of small perspiration workshops that can be substituted for each other.

According to product and process standardization, three types of supply relationship can be established between the parent company and its suppliers or suppliers and the suppliers under them (Pietrobelli & Saliola, 2008, p. 951): (1) turnkey supplier using flexible machines that can serve various customers produces goods adjusted to the receiver. (2) The captive supplier produces non-standard goods on buyer-specific machines. (3)Standard goods supplier provides standard goods in the market relations based on the elbow contact. Which of these supply relations is preferred is based on the position in the pyramid, in other words the power relations.

It should be noted that although the sub-contractual agreements between firms in the value chains formally appear to be voluntary, they are in fact a reflection of the economic power relations between the parties to the agreement (Sachetti & Sugden, 2003, p. 673). This concept of economic power is a concept that one side can implement its own policies in line with its own set of objectives, despite the other. For example, the contracting parent company may try to subtract sub-contracting A, B, and C against each other and try to cut a lower price, and withdraw from the agreement with another to shift production to a lower-paid one (Sachetti&Sugden, 2003, p. 675). As can be seen from this example, the implementation of power is legally based on contracts between independent parties. However, although the agreement was reached between the parties, the sub-contractual relationship produces asymmetry (Sachetti & Sugden, 2003, p. 675). The parent company has the power to determine the price and decide to renew the contract.

Chains Dragged by the Buyer and Produced by the Manufacturer

Global value chains are managed by the parent company, but there are two types of global value chains that differ from each other on the basis of the nature of the parent company: the value chain that the buyer has dragged is driven by the producer (OECD, 2007, p. 38; Milberg, 2004, p. 62). In the value chain driven by the producer, MNCs coordinate the production with forward and backward links in sectors where there are economies of scale, and maintain R&D and technology intensive production stages within the firm. It is a type of value chain dominated by capital and technology intensive industries such as automobiles, airplanes, computers, semi-permeable and heavy machinery. In the value chains that the buyer drags, the main companies are large retailers, grocery stores, or branded manufacturers,in addition to various agricultural products, shoes, toys, household goods, consumer electronics, and so on. The production of labor-intensive consumer goods based on economies of scale is carried out by a large number of small and medium-sized producers and even informal micro-units in GOUs in the value chains driven by the buyer. In this context, we can talk about the dominance of the value chain driven by the producer in the trade of intermediate goods and in the wholesale trade of agricultural products and final goods (Milberg, 2004, p. 55).

Since 1980, large retailers have globalized value chains. They looked for suppliers all over the world who would be willing to sell their goods at the lowest price. Thus, medium and small-scale producers of GOUs who wanted to be integrated into globalized production found themselves in a destructive price competition. Since the parent company and the competing suppliers are located in other countries, there is no other way for small producers to break the price at all costs. However, the only consequence of the outsourcing system was that there was no price competition between the small producers around the world.

Globalization of the Labor

The globalization process of the workforce has brought about a radical transformation in the labor markets, where the global labor force is increasingly vulnerable to the strategies of MNCs to reduce costs and reduce costs. Undoubtedly, starting from the top of the global value chains, the pressures to lower the costs transferred to the following rings make their weights particularly felt on the laboring segments of the GOUs who have been joined to the following rings.

Changing Employment Patterns

It is the opinion that the organization of production in the form of global value chains plays a major role in the proliferation of non-standard employment forms, including non-paid work, part-time, or temporary jobs, self-employment, and informal employment. It should be noted that there is an increase in informal employment in developed countries (GU), especially in part-time and temporary forms of employment, and in developing countries (ILO, 2008, p. 115). However, the dominant form of employment in GUs is the standard employment (ILO, 2008, p. 115), which can be defined as work law, collective bargaining and social security system work on the basis of full-time, continuous employment agreements, but non-standard employment including informal employment increase in anxiety forms.

Belt to non-standard forms of employment is also referred to as precariousness. Although these two concepts are often used interchangeably, it would be appropriate to emphasize that all non-standard work is not precarious employment, whereas all precarious work is non-standard. It is a notion that the rights such as job security, employment stability, wage levels, and working conditions have been eroded. In this context, it is worthwhile to look at the increasing non-standard forms of employment first.

Fees and Income Inequality Issues

Asymmetric structure caused by global value chains in international markets affects wages from at least two channels (Milberg, 2004, p. 69). First, as suppliers have to lower the product price, they also reduce fees to protect their profits. Secondly, competitive pressures on suppliers and the host country encourage deregulation in the labor market or circumvent the existing regulations. Workers are pressured to accept the decline in wages and poor working conditions. It is called the modern Singer Prudish trap that the GOUs, which are competing with each other in the low value-added, labor-intensive production stages, have to lower the product prices by creating an excess capacity globally (Milberg, 2004, p. 75). Thus, the pressure on the costs against the falling prices is getting worse.

The results of power relations in different rings on the global value chain can be evaluated in the striking example of Hu Dehart (Hu-Dehart, 2003, pp. 247-248). In the 1970s and 1980s, Nike turned its production to outsourcing. Subcontractors have made contracts with intermediaries from richer Asian countries such as Taiwan, South Korea, and Hong Kong. These intermediaries have set up assembly plants for Nike shoes in poor, cheap labor countries such as China, Indonesia, and Vietnam.

Intermediaries; they undertook all the tasks of managing the workforce, such as keeping workers, supervising, supervising production, determining wages, and making payments, and carrying out tasks with Asian governments and local officials. With this system, Nike has been able to remain free of dealing with problems related to both labor and governments in factories in Asia for a long time.

This global production system has been profitable in terms of subcontracted intermediaries, and has made Nike’s boss the sixth richest man in the world. Basketci M. Jordan was paid an advertisement fee of 20 million dollars annually. In contrast, in 1992, the South Korean sub-contractor operated in Indonesia, where four young girls were working 11 hours a day with an hourly rate of $0.15. By the end of the 1990s, Indonesian factories had 25,000 employees, and the workers were paid a daily wage of $2.23 per day, which was insufficient to satisfy a person’s basic needs. When the annual wages of all workers were collected, they did not pay the annual advertising paid to Basketci M. Jordan.

Financial Markets Against Financial Crises

As a result of financial liberalization, the frequency of financial crises has increased unprecedentedly. The risk of a banking crisis worldwide is 10 times higher in the 1990s than in the 1970s. Increasing instability in this way is seen to have significant effects on unemployment rates and increases in income inequality (ILO, 2008, p. 39).

Financial liberalization; This leads to increased flexibility of labor demand, transformations in the labor market regulations, and institutions to insecurity, and thus contributes to the trend of decreasing the share of wages in GDP. It should be noted that the impact of financial liberalization on the share of wages is an important dimension. According to the ILO estimate, when the financial deficit increases by 1%, the share of labor income falls by 0.3% (ILO, 2008, p. 52).

On the other hand, due to the pressure on the realization of the kadar expected return kadar on them, managers do not respond to the demand for wage increases as before. In order to satisfy their shareholders in the search for short-term profits, managers prefer to invest in investment projects that will yield tangible profits in the short term. In this context, they are oriented towards outsourcing and downsizing strategies. This weakens the bargaining power of the workers and has very destructive consequences in terms of wages and employment assurance (ILO, 2008, p. 50).

In addition to this, financial liberalization leads to a narrowing of the range of redistributive policies that states can implement. The contractionary fiscal policies implemented by GOIs in the face of crises have negative effects on income distribution and poverty.

Social services such as health and education, agricultural support, and anti-poverty programs, which are important in terms of welfare levels of low-income households, are being narrowed.

Nation State's Shrinking Policy Area and Global Solution Suggestions

In global value chains, MNCs manage production from a long distance and without applying the right to property. This remote domination prevents nation states from regulating the activities of the MNCs in their own countries and the effects of these activities on labor and human rights. As far as six are so frequently drawn, with the globalization of production, it is necessary to maintain wage levels in labor markets, to improve working conditions, to bring labor standards at a certain level, and to implement them strictly in line with the efforts of states of the GOUs to integrate into global value chains. The possibility of intervention in the form is greatly reduced. In fact, GOUs cannot afford to pay attention to lower wages, more flexible working conditions, wandering around labor standards and so on subjects are forced to compete. MNCs pay fees, payments, overtime, health, and safety, child labor, right to collective bargaining, etc. in the laws of the host country (Arnold & Hartman, 2006, p. 686).

However, these laws are often violated by the knowledge of public authorities for the sake of economic efficiency. If public authorities behave in a way to eliminate disruptions in labor markets, they fear that the MNC will collect and go to the factory.

In this framework, three different solutions to the crisis in the labor markets against the deepening crisis are discussed. The first of these is the approach of introducing binding global labor standards to the ILO and the United Nations (UN). In 1977, the ILO proposed the introduction of international code, but failed to get it. The UN made a similar proposal in 1980, but no consensus could be reached after 10 years of negotiations. Then, in 1994, at the final stage of the Uruguay Round, it was proposed to add a social clause to the international trade regime, including the requirements for labor standards. However, this proposal has been the subject of the objections of GOUs, particularly with the concern that labor standards could serve to the implementation of confidential protectionism against them. The objections of GOUs are based on trade theory (Heintz, 2007, p.65). Because of the lack of unskilled labor in the GOUs and since the capital is the scarce factor, the cost advantages of the developing countries are in labor intensive production. They gain competitiveness over the cost of labor. GOUs are concerned that the introduction of global labor standards will take away these opportunities.

Conclusion

In this study, the globalization of the labor force and its reflections on the labor markets are discussed. In this section, the results of the study will be evaluated:

The fact that production can be divided into stages has enabled the production of each stage of production to be produced where it can be produced at the lowest cost internationally, thus production is organized in the form of global value chains.

Global value chains have a hierarchical structure based on power relations. At the top of the chain is an oligopolist MNC, while at the very bottom there are a large number of micro-production units that compete against each other with costly competition. This situation causes an asymmetric structure in international markets.

The globalization of the workforce is in the form of such a production organization and participation in such international markets. The pressures that Çuş transfers to reduce the cost of production make them feel at different intensities depending on the level of labor force being added to a ring in the global value chain.

Efforts to look at where a production stage of the MNCs can be produced with the lowest cost result in a shift to non-standard work in the labor market. Due to the fact that non-standard jobs are less income generating and more precarious, the wages and rights of the labor force have been eroded.

Global trends have emerged:

- Fees: standard and non-standard work, skilled and unskilled labor are polarized among CEO and average employees.
- Gini coefficients and income inequality, which can be expressed in two different ways as a share of wages in GDP, are increasing.
- Employee poverty is increasing.
- Unemployment and the instability of employment are increasing.

Labor force has lost its consciousness and bargaining power as a class due to the increase in the standardization and diversification of employment.

In this way, the globalization of the workforce has resulted in the labor force becoming increasingly unorganized and the individual employees alone.

Unstable and insecure labor markets are becoming increasingly vulnerable to the growing financial crisis. Unemployment, long-term unemployment, and informalization have increased sharply along with the crisis, but they do not return easily to the pre-crisis levels after the crisis.

In the light of all those mentioned, it can be said that the crisis of the labor force has become permanent.

While the determinations so far mentioned in the labor markets are of a global nature, exploitation and despair are increasing in the downstream circles of global value chains. It is clear that as the global value chains are located at the top and the SWGs are in their downstream circles, the labor force in the GOUs is much darker.

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