MPUP 5301: Globalization, Social Problem and Policy

Lecture 6: Flexible Mode of Production & Management: Maginalisation of Labour

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RISE OF FORDISM AFTER THE SECOND WORLD WAR
Rise of Taylorism

• “The Principles of scientific management” (Taylor, 1911): devised a means of detailing a division of labor in time-and-motion studies and a wage system based on performance.

• main elements: time studies, standardization of tools and implements, the use of "slide-rules and similar time-saving devices", instruction cards for workmen (detailing exactly what they should do), task allocation, etc.
Ford's Model T

- Ford pioneered the modern model of mass production which bears his name, and which is often said to date from the development of the first moving assembly lines, put into operation at Ford's Model T plant at Highland Park, Michigan in 1914.
Assembly line increased labor productivity tenfold and permitting stunning price cuts in Ford cars: from $780 in 1910 to $360 in 1914.

Fordism thus involved standardizing a product and manufacturing it by mass means at a price so low that the common man could afford to buy it.
Fordist Production

- Fordism displaced predominantly craft-based production in which skilled laborers exercised substantial control over their conditions of work,
- entailed an intensified industrial division of labour; increased mechanization and coordination of large scale manufacturing processes to achieve a steady flow of production;
Fordist Production

• a shift toward the use of less skilled labor performing, ad infinitum, tasks minutely specified by management; and the potential for heightened capitalist control over the pace and intensity of work.
Fordism/ Fordist mode of production

"a model of economic expansion and technological progress based on mass production: the manufacture of standardized products in huge volumes using special purpose machinery and unskilled labour".

Henry Ford and the Model T:
From Ford to other factories

• Fordism was a method used to improve productivity in the automotive industry, this principle could be applied to any kind of manufacturing process.
  - standardization of the product
  - use of special-purpose tools and/or equipment
  - workers are paid higher "living" wages
Fordist Mode of Production

- first started in U.S. and transmitted to Europe and Japan during their reconstruction after the World War II through the implementation of Marshall Plan.
- The Fordist Mode of production also related with Keynesian financial policies and the welfare state polices to promote corporatism between capital and labour.
End of Fordism

• De-industrialisation and mass unemployment in the western capitalist countries since the 1970s have destroyed the bargaining power base of organised labour and enabled capital and the state to have unchecked authority to restructure the economy and to deregulate the labour market.
End of ‘Organised’ Capitalism
(Lash and Urry, 1987)

- the main objective of capital is to eliminate ‘rigidity’ posed by organised labour and the welfare state, the pillar-stones of Fordism

- However, this ‘disorganising’ process itself is well co-ordinated among capitalists themselves without any chaos. The employers are still well orchestrated behind the ‘disorganised’ scene of the post-Fordist era.
Increasing Flexibility

- They have the same micro objective of increasing flexibility in their enterprises through restructuring or rationalisation.
- The essence of these strategies is to reduce labour costs by marginalising certain groups of the existing or potential workforce.
Newly created marginal jobs

• Most of the new jobs are part-time, contract, temporary or self-employed jobs.
• The common characteristic of these marginal jobs is that the jobholders are entitled to minimal job security.
• Workers are liable to be freely hired-and-fired according to the fluctuating demands of the market.
Unorganized Labour

- Most of them do not belong to any union because it is difficult for unions to organise these workers because they are employed on a part-time basis, or they are on temporary or short term contracts, or they work at home.
Self-employed and Contractors

- The self-employed and the contractors, have lost their entitlement to the protection of labour legislation.
- Their relationship with their employers has already been transformed from an ‘employment relation’ to a ‘business contractual relation’ (Collins 1990).

I love my boss!
(I’m self employed)
Harvey (1987)

- Flexible accumulation is a direct confrontation with the rigidities of Fordism. The new form of capital accumulation rests on flexibility with respect to labour processes, labour markets, products and patterns of consumption.
- ‘time-space compression’ has enhanced the powers of flexibility and mobility and has allowed employers to exert stronger pressures of labour control through high unemployment.
Flexible Accumulation

- Flexible accumulation, which is one of the fundamental reasons for the marginalisation of workers in the global context, has become the dominant mode of accumulation in the world capitalist system.
New Roles of State

- Fordism also represents a macro system of social political formations of Keynesianism, welfarism and corporatism (Clarke, 1988).
- In the post-Fordist era, this new flexible accumulation also requires the state to perform roles different from those in the Fordist era.
FLEXIBILITY & ECLECTICISM OF CAPITALISM
Arrighi (1994)

• The restructuring of capitalism, going on since the 1970s according to Arrighi, should be understood as a phase of discontinuous change.

• Long periods of crisis, restructuring and reorganisation, in short, of discontinuous change, have been far more typical of the history of the capitalist world-economy than those brief moments of generalised expansion.
Theoretical traditions

- Current transition from Fordism to 'flexible accumulation' can be understood in two theoretical traditions:
  - Fernand Braudel’s argument that the essential feature of historical capitalism has been 'flexibility' and 'eclecticism' (Braudel 1982);
  - Karl Marx’s general formula of capital: $M-C-M^*$,
Braudel (1982)

- the general history of capitalism is 'its unlimited flexibility, its capacity for change and adaptation' (1982: 433).
- 'eclecticism' rather than concrete forms are the general characteristics of capitalism. The distinctive advantage is 'not having confined oneself to a single choice, of being eminently adaptable, hence non-specialised'.
Marx’s formula $M-C-M^*$

- Money capital ($M$) means liquidity, flexibility, freedom of choice.
- Commodity capital ($C$) means capital invested in a particular input-output combination in view of a profit. Hence it means concreteness, rigidity, and a narrowing down or closing of options.
- $M^*$ means *expanded* liquidity, flexibility, and freedom of choice.
Micro & Macro level

- **Micro level**: capitalist agencies invest money as a means to an end of securing an even greater flexibility and freedom of choice at some future point.

- **Macro level**: a recurrent pattern of historical capitalism as a world system. The central aspect of this pattern is the alternation of epochs of material expansion (M-C phase) with phases of financial rebirth and expansion (C-M* phase).
World Capitalist System

- is now experiencing the C-M* phase -- from 'Fordism' to 'Flexible Accumulation' -- the financial rebirth and expansion of capitalism.

- For Fordism, the system of the organisation of labour has been linked to the system of industrial production at both a macro and a micro level.
Wage-determination Systems

- At the macro level Fordism wanted labour to benefit from increasing productivity, to ensure an expanding demand for products.
- This relationship was assured through the development of wage-determination systems, which provided for steadily rising real wages in line with productivity.
Fragmented and Unstable system

• The search for an accommodation to post-Fordist conditions led to a fragmentation of wage-determination systems, reflecting a more fragmented and unstable system of industrial production.
GLOBALIZATION, UNEMPLOYMENT AND POVERTY
Underclass

- Wilson (1987, 1996) identifies a new group of urban poor or “underclass” emerged as a result of disappearing of jobs due to deindustrialisation.
- The social polarisation thesis, as articulated by a number of students of global cities
Social Polarisation Thesis

- Cultural, economic and political polarizations between a comparatively cohesive core of professionals and a disorganized periphery fragmented by race, ethnicity, gender, occupational and industrial location.

- The spaces they occupy have turn cities into divided or dual cities.
Impacts of Globalisation for the disadvantaged groups

• Wacquant (1999): Globalisation produces new social conditions for the disadvantaged groups:
  - resurgence of social inequality;
  - deproletarianisation (i.e. being expelled from the wage labour market) and casualisation of labour;
  - retrenchment of welfare states;
  - spatial concentration and stigmatisation of poverty.
Result: Social inequality and poverty

• the divergence of how these forces work out between the European and American cities.

• Indeed, these structural forces are not operating separately. Social inequality and poverty are the joint effects of the other three forces, with the destabilisation of labour market as the primary factor.
Esping-Andersen (1993)

• Traditional class theory tends to be institution-less, assuming that classes emerge out of unfettered exchange relations.

• In order to understand the class mobility or how the new urban poor are trapped into a vicious cycle of disadvantages in contemporary global cities, one has to examine how the local institutions mediate against the external global forces.
Labour markets as mediator

- Among the local institutions, labour markets are of paramount importance because labour market attachment or employment is still the most significant determinant of a person’s and her/his family’s life chances.
McKernan and Ratcliffe (2002)

• No single path into or out of poverty because many events throw people into poverty and many events help people exit from poverty.

• Loss of employment by the household head is identified as the event most often associated with poverty entries, while losses of employment by the spouse and other family members have smaller effects.
Exit Poverty

- With regard to poverty exits, McKernan and Ratcliffe find out that employment gains are most important trigger event;
- Employment gains by the head, spouse, and other household members are of roughly equal importance in helping individuals exit poverty.
Unemployment → Urban Poverty

• With unemployment rate soaring in many advanced cities, urban poverty becomes a salient problem.

• To make things worse, low-skilled workers face serious challenges because the traditional employment system with advancement routes through seniority has been destabilised and their wages are squeezed downwards by global forces.
1988-92

- McKernan and Ratcliffe (2002) find that changes in economic conditions affect poverty exits, increases in the unemployment rate reduced poverty exits and increases in GDP increased poverty exits.
1996-99

• Changes in economic conditions do not affect the likelihood of exiting poverty, but people living in a place with higher unemployment rate do have lower chances of poverty exits.

• Nonetheless, an increase in GDP unexpectedly reduces the likelihood of exiting poverty.
Reasons behind

• The differences may be the result of the US welfare reform was implemented between the two periods, or may simply reflect the fact that recent economic growth does not really benefit the poor.
Jobless Growth

- Jobless growth becomes prominent because firms are trying to buffer the economic uncertainties created by globalisation either through substituting flexible labour inputs for inflexible ones (Schreft & Singh, 2003) or simply being reluctant to create jobs (Groschen & Potter, 2003)
Working Poor

• Tot only the unemployed are likely to fall into poverty,
• but also those staying on the job, the so-called working poor, may have difficulty to earn an income that can support a family.
GLOBALISATION, FLEXIBILITY AND THE DESTABILIZATION OF WORK
Outsourcing, Downsizing and Automation

- Under globalisation, as both transnational and local firms are facing keen competition from one another.
- They employ different cost reduction and flexibility strategies, like outsourcing, downsizing and automation, to expand or maintain their market shares.
Neoliberal policies

• The advanced capitalist states which relax their borders and encourage the transnational flows of people, capital, goods and services.

• As a result, the labour markets of global cities are being constantly destabilised under the threats of deindustrialisation, non-standard employment practices, weakening unions, and labour-replacing automation.
REASONS OF DESTABILIZATION

1. Deindustrialization
2. Flexible Firm Management
3. Technological Innovation
4. Legal and Undocumented Employment of Migrant Workers
5. Deregulation of labour markets
Destabilisation of labour markets

- Induced serious employment insecurity among the working classes of global cities
- In turns reducing their available resources, thus making their livelihood more vulnerable to risky life events, like sicknesses, accidents, and natural disasters.
Deindustrialization

• Relocation of the labour-intensive production processes to cheaper places deprives manufacturing workers’ jobs, and forces them to abandon their skills and take up unfamiliar jobs with less income
Global Cities

• Labour-intensive manufacturing processes are moved to developing countries, while the high-value-added production and distribution processes are retained in advanced countries.

• Most of them are concentrated and centralised in global cities.
Corporate Coordination Functions

- These high value-added processes include the so-called producer services like the corporate coordination functions that command and control dispersed manufacturing processes, financial, legal, accounting, and advertising services, and production activities such as R&D and product design.
Postindustrial Cities

• Services constitute the major impetus for economic growth, and traditional blue-collar workers become the losers under globalisation.

• Relocating production processes or offshoring happen in some services that can be digitalised and transferred geographically, like data processing and back-office services.
Unaffected Services

- Place-tied services
  - cleaning, catering, and routine security services,
- Consumer services
  - tourism and retailing
- Professional social services
  - health, education and welfare services
- Producer services
  - legal, financial and accounting services.
Low-skilled and Low-waged Service Jobs

• Moreover, except producer and professional social services, most of the place-tied and consumer services are low-skilled and low-waged.
Increasing Supply

• The industrial decline inevitably releases huge number of unemployed manufacturing workers seeking jobs in these service sectors
• Consequently drives down the already low wages.
Flexible Firm Model

- The second mechanism of destabilising employment through the casualisation of labour
- creating a peripheral workforce so as to increase numerical flexibility by using non-standard forms of employment, typically involving lower wages, less union representation, poorer legal protection and fewer fringe benefits. The numerical flexibility enables firms to adjust the amount of workforce according to the fluctuating demand conditions at the expenses of the labour.
Flexible Firms (Atkinson, 1984)
Numerical Flexibility

- Firms are now relying more on temporary workers, part-time workers, short-term contract workers, on-call workers and out-workers to fill in the nonessential tasks and production not of the firms’ core competencies.
- Or even subcontracting out the whole production. These peripheral workers do not have any job security.
Functional Flexibility

• Firms also create a knowledge-based multi-skilled core workforce that can perform a variety of tasks.

• Functional flexibility can be obtained to let firms free to allocate appropriate human resources to meet fluctuating production needs. Since the core workers take care of the firms’ key functions, they enjoy full range of benefits and job security.
Primary vs. Secondary Labour Market

• The firms’ labour market is segmented into a primary internal labour market, and a secondary labour market.

• However, not all skilled labour constitute the core workforce, because the skilled and professional workers who are not within the firms’ core competencies are also “peripheralised” in terms of their non-standard employment status.
Primary Professional Labour Market

• Even though lacking nominal job security, these workers are not only highly paid, but also enjoy the freedom of choosing projects to work with, because their knowledge and skills are still in great demand.

• They do not belong to the firm-based internal labour market, but remain in the primary professional labour market as depicted by labour market segmentation theory.
Peripheral Workers

• Low-skilled and low pay contingent employees and those permanent, but substitutable, dispensable and often part-time workers engaged in low-skilled and routine work.

• These workers are peripheral not only because of their non-standard employment status, but also due to the fact that they can easily be replaced by technologies and automation.
Regular Permanent Low-skilled Workers

- Job security of the may be jeopardised, if firms opt for using turnover as a labour utilization strategy to reduce cost.
- Since workers having a longer spell in a firm have a higher wage than those newly recruited
Replace Old by New Workers

• Under traditional employment practices they have higher back-loaded compensation that based upon seniority and wage rigidity makes their wages hard to be reduced.

• Firms will have incentives to replace the incumbent workers by recruiting new ones. The turnover strategy is often used when production processes are simple and skill requirement is low.
Technological Innovation

- European Commission claims, the general use of low-cost information and data storage and transmission technologies accompanied by organisational, commercial, social and legal changes will profoundly change life both in the world of work and in society generally.
Flexible Specialisation

- The adoption and development of information and communication technologies (ICTs) are regarded as vital to the global competitiveness of a country’s enterprises.

- Through using general purpose machineries enhanced with the information technologies, a technological paradigm of flexible specialisation that replaced the mass production paradigm enables firms to cut inventories, to tailor-make specific products for highly fragmented niche markets, and facilitate just-in-time production.
Structural Unemployment

- Flexible specialisation that encourages computer-aided production also gives rise to and further reinforces the problems of structural unemployment, in which the high-skilled workers are in increasing demand, but the oversupplied low-skilled workers cannot even find a job in spite of economic growth.
Employment of Migrant Workers

- The state remains powerful in deciding about the domestic market, but the reality about regional and global exchanges of highly skilled workers has become a realm in which global business is perhaps more powerful.
Deploying Guest Workers

• A number of Asian states have pursued different strategies of recruiting and deploying guest workers to further their economic interests: South Korea exported workers to Middle East in the late 1970s and early 1980s; Philippines, Thailand and Indonesia exports female domestic workers for huge amount of remittance
Large-scale Immigration

- South Korea, Taiwan and Hong Kong recruit foreign workers to do the so-called 3D (dirty, difficult and dangerous) jobs
- Large-scale immigration happens in global cities and increases the income and occupational polarisation there. Chain migration in which migrants’ network determine their timing and places for migration is very common
Low-skilled Guest Workers

• Distinctive patterns of transnational employment are structured along different lines of nationality, ethnicity and race, gender, occupations and industries

• Low-skilled guest workers lack sufficient protection against contract violation, extortionate agency fees, underpayment, poor working conditions, and discriminatory treatment, from their home as well as the host countries
Undocumented Workers

- The situation is even worse for undocumented workers because employers often take advantage of their illegal status to exploit their labour power.
Undocumented Workers

• The inabilities of host countries to grant guest workers their labour rights and to protect them against unfair treatment enable employers to use them as leverages against local working class and further destabilise the labour markets
New bottom-line

• The employment of foreign workers who are willing to work for lower wages and poorer employment terms like as temporary workers sets new bottom-line employment standards for local workers.

• If local workers do not want to be replaced, they have to accept the worsened employment standard. Consequently, the bargaining power of local working class is seriously reduce
Scapegoats

• The guest workers become the scapegoats for declining wages and working conditions.
• Local working class, instead of fighting against the exploitative employers for bettering employment terms, is diverted to protect against labour importation and socially excludes the migrant workers in workplaces.
• This makes the migrant workers being doubly marginalised.
Deregulation of Labour Markets

- "competitive deregulation" among states happens.

Liberalisation and the deregulation of labour markets are reinforced by an ideological shift from Keynesianism to a neoliberal framework in many advanced countries.

- The neoliberalism is further strengthened and accepted by most countries after the collapse of communism in 1989.
Retreat of Welfare States

- limited sources of state revenue and the need of low taxes and social overheads to attract global capital generate pressures for the retreat of welfare states.
- Through increasing labour market risks and reducing social insurances, which mitigate the risks, of workers
POSTINDUSTRIALISATION AND THE DEFAMILIALISATION OF WORK
Postindustrialisation: Trilemma of the Service Economy

- Advanced countries can only two of the three objectives for economic policies: fiscal discipline, earning equality, and employment growth.
- If fiscal discipline has to be selected, then countries face with a trade-off between earning equality and employment growth. In other words, an advanced country can only choose between an unequal growth and a jobless growth.
Service Sectors

- suffer Baumol’s cost disease in which productivity growth in most service sectors is stagnated and lagged behind that of manufacturing sectors.

- Once manufacturing employment is declining due to industrial relocation and automation, high growth in market-provided services is needed to compensate for the lost jobs.
Cost Disease Problem

- However, if wages in services are coupled with wages in manufacturing, employment in less productive service sectors will be inhibited because of the relatively high labour costs.

- Esping-Andersen lists out three possible responses to this cost disease problem.
Employment Growth, but not Earning Equality

- Allow wages adjusting to productivity differentials that pushes down the wages of the more stagnant services and makes huge number of people employed at very low wages.
- In effect, a country can achieve fiscal discipline and employment growth, but not earning equality.
Fiscal Discipline and Earnings Equality

• Allow service earnings to follow the general wage developments in the economy and price the labour-intensive and low value-added service jobs out of market.

• This will achieve fiscal discipline and earnings equality but sacrifice employment growth or produce jobless growth.
Employment Growth and Earnings Equality

- Subsidize services so as to maintain employment growth and earnings equality, but this will give a heavy fiscal burden to the state. Indeed, Esping-Andersen’s responses highlight the trilemma of a service-oriented postindustrial economy.

- Globalisation “simplifies” the trilemma by tying up the hands of states in spending and forcing them to exercise, at least a certain degree of, fiscal discipline.
The Keynesian demand management policies may be outdated in the globalisation era. As a result, the trilemma is simplified as a dilemma: either earnings equality or employment growth, but not both.
Deep Insider-outsider Divide

- For pursuing earnings equality among the employed, an outsider group who cannot get employment and have to rely on state welfares will be created.
- This may result in deep insider-outsider divide and create a lot of social cleavages
Employment Growth with Poor conditions

• For pursuing employment growth, most of the jobs created in service sectors are low-wage jobs with poor working conditions.
Defamilialisation

• the degree to which households’ welfare and caring responsibilities are relaxed -- either via welfare state provision, or via market provision

• Defamilialisation via market to labour-intensive and low-skilled services is that most of these services in principle can be self-provided by household rather than purchased from market.
Make-or-buy decisions

• These services include cooking, cleaning, childcare, looking after the old and the sick, running the household, which are traditionally provided by women’s unpaid labour.

• Expansion of the service economy is in large part contingent upon households’ make-or-buy decisions; which depends on the market prices of the services.
Rise in Female Participation

• For those time-strapped households with adequate disposable income, they constitute a counterweight to the forces that repress labour-intensive services.

• Accordingly, the rise in female participation in the labour market, especially for those are married and with children, may reduce the importance of servicing cost which offset the growth of service economy.
The Lower Cost, the Bigger

• From the German case Esping-Andersen (1999, p.109) observes, “High labour costs crowd out private social services; low levels of female participation make them less demanded”. Hence, the lower the cost of the low-skilled services, the bigger the service economy will be.
High-end Services

- Urban postindustrial economy necessarily perpetuates a large low-wage service sector to serve directly or indirectly the transnational capitalist class.

- In order to attract and retain the transnational “elites”, high-end services which fit their classy consumption tastes set up a whole chain of service demand to the low-end ones. The service sector for the transnational capitalist class is definitely very small.
Middle Class Provide High-end Services

• with their great amount of disposable income, relative price does not constitute any constraint for them to consume expansive services. Indeed, they deliberately purchase position goods and services (Hirsh, 1977), so as to reflect their status.

• As a result, a medium size of the so-called middle class population is drawn to this luxury service sector.
Lower Class serve Middle Class

• These middle class families are either dual working families or single families. Time constraint becomes salient for them. Since the services they provided are high value-added, their amount of disposable income allows them to trade self-servicing for market purchase.

• Thus a larger, but smaller value-added service sector is created because the middle class families do matter relative price.
Lower Class Purchase Services from the Market

- The lower class people are the ones who serve the middle class. When more and more lower class families become dual working families, they need to purchase services from the market.

- Since they are severely concerned with the time and relative price factors, thus a much bigger service sector with very low added value has to be created to maintain the everyday living for the lower class families.
Import of Migrant Workers

• In order to drive the labour cost even lower, just like what has been happening in the manufacturing sectors, migrant workers from the Third World are recruited. To some extent, this low value-added service sector is self-expanding up, along with lowering relative price, to an equilibrium that no more low-income families can trade self-servicing for market purchase.
MARGINALITY TRAP OF URBAN WORKERS
Segmented Three-tiered System

• Labour markets in advanced economies are segmented into a three-tiered system: a high-wage knowledge-based professional labour market, a shrinking average-wage labour market, and a low-wage and low-skilled labour market.
Unemployed: the outsiders

• For the unemployed, some of them can occasionally go back to the low-wage labour market, either through their own efforts or compelled by workfare requirement of the state, but there is an outsider group of the permanently unemployed who are socially excluded from the society.
Figure 1: The Marginality Trap

High-wage knowledge-based professional labour

Market Segmentation

Average-wage labour market

Shrinking

Low-wage and low-skilled labour market

Full-time low-wage workers

Workers with nonstandard jobs

Unemployed Workers

Chronic Unemployed

Labour Market Outsiders
Shrinking Average-wage Labour

• the average-wage labour market is shrinking even when the economy is growing, the chances for upward job and earnings mobility are slim, but those for downward mobility are higher.
Marginal Trap

- more and more working class people are trapped into a vicious cycle in which their mobility is restricted to circulating among low-wage fulltime jobs, nonstandard employment and unemployment with very few opportunities to escape beyond the low-wage labour market.
Chronic Unemployed

• The most desperate group is the so-called labour market outsiders or the chronic unemployed who rely on spouse’s earnings or social welfare.
Three Types of Marginalised Workers

• The marginalised workers who suffer from globalisation and postindustrialisation, thus, consist of those trapped in the low-wage labour market, the underemployed and the chronic unemployed. Their marginalised labour market position makes their livelihood vulnerable.
Vulnerability of MW

• Their vulnerability is manifested in two ways: lacking bargaining power in negotiating better terms with regard to salary and working conditions, and lacking capacities in dealing with negative life-course events, like sickness and unemployment.
Weak Bargaining Power

- The marginalised workers' bargaining power vis-à-vis employers declines because the employers can easily displace the “troubled” workers through automation or recruit others from the oversupply labour market. Consequently, for the workers, neither “voice” nor “exit” can be an effective negotiating strategy, but remaining “loyal” to the employers.
Increase Life-course Risks

- In general, the marginalised workers have to work for long hours, with very low pay, uncompensated over-time work, appalling working conditions and under strict employers' surveillance. All these increase the workers' life-course risks or the chances of getting negative life-course events.
Unable to save enough resources

• In the past, these risks could be mitigated by state welfare or social security. But, today, most states adopt the neoliberal ideology, cut back their spending and advocate workfare. Most often, workers are forced to deal with the risks themselves. Nonetheless, job insecurity coupled with low income makes the marginalised workers unable to save enough resources to insure against or cope with life-course risks.
The End