JOBS IN A GLOBALIZING ECONOMY*

God has given us a planet filled with abundance for all. But when some have too much, others have too little. When some are too powerful, others are too weak. These injustices, violations of God's will for the world, are apparent in our workplaces, the marketplace, and our international economic relations.

Anyone who goes shopping knows that products sold in the U.S. come from nearly every country on the planet. With increasing economic globalization, jobs have moved out of the U.S. into other countries where workers are often paid less, suffer from harsh work conditions, and have few health and safety protections. Environment safeguards are often lax as well. While these practices have increased profits for corporations and often lowered prices for consumers, they are detrimental to workers in the U.S. and around the world. The rules governing international trade and investment must be rewritten to benefit both corporations and workers – in all countries, North and South.

ONE WOMAN'S STORY[1]

"Maria" works in a maquiladora (ma-key'-la-do'-ra), or a factory in a special tax-free zone, in Honduras sewing t-shirts. She is expected to sew 230 shirts per day, one each 2.7 minutes in her 10 ½ hour day. She works 44 hours a week for which she is paid just under $38. This allows her to live in a one-room hut without indoor plumbing. Talking is prohibited during work time and bathroom visits are monitored to be sure she is not gone too long. Drinking water, provided by her employer, is dangerously polluted. The factory is surrounded by barbed wire, locked gates, and private, armed security guards. The factory owner has said that he will never accept a union and, if a union were formed, he has vowed to shut the plant down. He has illegally fired workers for organizing in an effort to improve their pay and work conditions.

JOBS LEAVING THE U.S.

Maquiladoras: The rapid movement of jobs out of the U.S. began when free-trade, export-processing zones were created in the mid-1960s in northern Mexico along the U.S.-Mexico border. By the 1970s, these zones spread into Central America and now can be found throughout Latin America. Firms located in these zones, called maquiladoras, import parts and components from the U.S., assemble the parts into final products (like apparel, appliances, or other electronic goods), and then export them back to the U.S. for sale. Maquiladoras are often owned by U.S. companies. Since Mexican and Latin American workers are paid less than U.S. workers, this arrangement allows U.S. firms to save money on the labor-intensive assembly process. Maquiladoras are almost totally exempt from corporate, state, and municipal taxes, as well as import and export duties and tariffs. Compared with firms in the U.S., maquiladoras pay lower wages, provide fewer fringe benefits, and are required to comply with fewer regulations governing workers' health and safety and the environment. All these factors reduce their costs of production below those of firms in the U.S.

The North America Free Trade Agreement (NAFTA) signed in 1993 by Mexico, Canada, and the U.S., further accelerated the movement of production and jobs abroad. NAFTA established rules governing trade but equally important was its treatment of investment. The treaty was "designed to stimulate foreign direct investment and the movement of factories…, especially from the United States to Canada and Mexico."[2] Between 1992 and 2002, the number of maquiladoras in Mexico increased from 2,114 to 3,251, while the share of U.S. exports to

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Mexico that went to maquiladoras (instead of, for example, to retail stores for sale to Mexican consumers) rose from 39% in 1993 to 61% in 2002.[3] This means that it became relatively less common for U.S. workers to produce, and U.S. firms to export, a final product, ready for sale to a Mexican consumer. Instead, partially completed components and parts were sent to maquiladoras, where Mexican workers would complete the job. NAFTA accelerated the movement of jobs out of the U.S.

Out-sourcing: When one firm hires another to produce something it had previously produced "in-house," we say the work has been out-sourced to a subcontractor. For example, if GM hires a firm to produce parts for new cars that formerly had been produced in a GM-owned factory, the work is being outsourced. Work can be out-sourced to subcontractors located in the U.S. or other countries. Some examples of the types of work commonly out-sourced to subcontractors in other countries include making parts for cars and electrical equipment, answering calls on customer service lines, and processing insurance claims. The U.S. firm often saves money because the foreign subcontractor has lower costs, for example, lower wages, cheaper rents or building costs, lower management and administrative expenses, and fewer environmental and health and safety regulations to satisfy. Typically, the multinational contracting firm requires the subcontractor to follow very precise instructions regarding the materials used, production processes followed, and the characteristics of the final product. The one aspect of production that often is omitted from the specifications is the way the subcontractor treats workers and the environment.

Off-shoring: The most recent development in movement of work out of the U.S. is called off-shoring. A worker living in another country is hired to work directly for a U.S. firm. (This contrasts with out-sourcing where the foreign worker is employed by a local firm that has a contract with a U.S. firm.) While the off-shore worker may be doing the same work for the same employer as a U.S.-based employee, he is usually paid less and faces other disadvantages in terms of benefits and work conditions. Examples of professions that are being sent off-shore include computer programmer and radiologist.

IMPACT ON WORKERS IN THE U.S.

Since the 1980s, economic globalization including the shift of jobs and investment out of the country, has slowed the rate of wage growth in the U.S., and reduced the wages of workers without a college degree who make up 70% of the U.S. labor force.[4] It has also raised unemployment. By the end of 2002, NAFTA had resulted in a net loss of nearly one million jobs in the U.S.[5] Many of the jobs lost were in manufacturing, an industry that tends to pay good wages and benefits. These jobs were extremely important and the impact of their loss was felt by individual workers and their families, and also by communities. Whole cities have been devastated by these trends.

But things may be getting worse. Prior to the 1990s, most of the jobs that were out-sourced to foreign firms or transferred to maquiladoras did not require high levels of formal education. In the 1980s, just 12% of jobs moving out of the country due to trade and investment trends required a college degree. Young people and workers were taught that a good education was the way to a good job with some measure of job security. But 20 years later, this rate has doubled. Currently, one-quarter of all jobs moving out of the country require a college degree.[6] Off-shoring means that even a college degree provides no job security.

Impact on Workers in the global South

These jobs shifts are also harming workers in the global South who become caught in a web of global competition and an international race to drive down wages and other costs. Workers throughout the world want and need jobs, especially when globalization has destroyed their family farm, or more traditional job or support system. But maquiladoras and subcontractors in countries around the world too often abuse and exploit workers, violating international labor standards and even local labor laws.[7] (Some firms in the U.S. do as well, especially the right of workers to freely organize or join a union.[8]) Labor protections vary around the world, but many countries have laws providing for a minimum wage (appropriate to local standards and the cost of living), a cap on the number of hours that an employee may work per week, and other worker protections. But even minimal standards are violated as corporations seek to cut costs and gain advantage in the global competition.

Moving Toward Justice

Abuses arise because corporate greed and competitive pressures override fairness. Corporations violate their fundamental responsibilities to treat workers with dignity and justice. Global competition among corporations encourages a search to find locations where legal protections for workers are weak, authorities fail to monitor and enforce existing law, and inadequate penalties allow violations to continue. When workers begin to organize together in an attempt to improve their wages or working conditions, they may be fired (even though this is illegal in many countries and under international standards), or even killed. If workers do succeed in improving work conditions, factories may move to another country with even lower wages, leaving behind unemployed workers and even polluted property or ground water.

When firms in the global South are primarily concerned with producing goods to be exported and sold in the U.S. or other industrialized countries, then a major goal is to keep costs low – to pay low wages, and minimize environmental and other costs. On the other hand, if the firms were producing goods to be sold locally, they would want their workers, and workers at all other local businesses, to be paid wages that were sufficient to allow them to buy what they were making. Paying workers a wage that is high enough to allow them to purchase the goods they are making was an important factor in the industrialization of the U.S.[9] In a similar way, paying higher wages to workers in the global South would benefit them directly, enlarge the market for products produced in both the global South and industrialized North, and slow the pace of jobs leaving the U.S. and other industrialized countries.

Work performed by employees who are paid too little, worked too hard, or inadequately protected costs less than work produced by better treated workers. If companies all over the world paid and treated workers with fairness and dignity, all workers would benefit. Living standards in the global South would rise. The price differences between workers in the U.S. and the global South would shrink. Workers in the North would still be much better paid but the differences would be smaller. Incentives for firms in the global North to send work out of the country would be reduced.

Anti-sweatshop campaigns in the U.S. and other industrialized countries focus a spotlight on abusive firms. They are an important tool in the struggle for justice. But because so many of the manufactured goods we buy are produced under inhumane conditions, a more comprehensive way to address these problems is needed.

Continued economic globalization may be inevitable, but there is nothing inevitable about the rules which govern it. Currently, corporations in the U.S. and around the world are the major beneficiaries of the laws and other rules governing international trade and investment. At the same time, workers in the U.S. and around the world are suffering from the way the system is constructed. The rules must be changed to level the playing field between workers and corporations, and among countries. U.S. workers need not seek to halt the movement of jobs to lower-wage countries. They should, however, seek a level playing field for international competition – one where workers around the world are treated fairly and the environment is not abused. Only then will the resources provided by God for all people be more equitably shared.

The UCC General Synod and International Trade and Investment

- The UCC General Synod XVIII in 1991 "condemn[ed] the exploitation of the environment, workers and communities in maquiladora plants by United States' and other transnational [corporations] and any so-called 'Free Trade' agreement that fails to address environmental, workplace and fair labor standards."
- Two years later, GS XIX called on "Congress and the President to renegotiate hemispheric trade agreements [to] … require labor standards and workers rights" and "require environmental, consumer and worker health and safety standards."
- In 1997, GS XXI called on the UCC to "advocate for just, democratic, participatory and inclusive economic policies in both public and private sectors, including the responsibility of multinational corporations and international financial institutions to respect and hold themselves accountable to fundamental human rights, particularly with regard to … wages that are adequate for local costs of living."

ADDITIONAL RESOURCES

Human Rights Watch. "Labor Rights and Trade"
http://www.hrw.org/press/2002/10/laborrights-bck.htm
National Labor Committee.Various reports. http://www.nlcnet.org/campaigns/ca03/AAA/aaa.pdf
Off-shoring (EPI Issue Guide) http://www.epinet.org/content.cfm/issueguide_offshoring_faq
Scott, Robert. 2003. The High Price of "Free" Trade. Economic Policy Institute Briefing Paper. Washington, DC: EPI. http://www.epinet.org/content.cfm/briefingpapers_bp147

WORSHIP

Affirmation of Faith in a Globalizing World

We believe in God the Creator, loving parent of all who live, weeping when a worker is treated unfairly, angry within the unheard protests of the despairing and exploited, and crying out as the voice of the silenced.

We believe in Jesus Christ, overturning the tables of injustice, determined in the face of oppression, courageous when the risks are high, and dying rather than giving up love.

We believe in the Holy Spirit, passionate wind of power for change, giver of gifts for the struggle, and flame of fire to light and warm the way for the bearers of truth.

Prayer

Soften our hearts, O Christ, that we may truly be your people.
We hear the world groaning as your people suffer from unjust rules for trade and investment.

We hear the cries of your peoples around the world as they call out to us asking for a just sharing of all you have given to us.
Their struggle is also our struggle as we walk through this shadowed valley with You.

Adapted from “Worship Guide, Global Week of Action on Trade” by the Ecumenical Advocacy Alliance http://www.e-alliance.ch/media/media-5270.pdf

ENDNOTES

[1] Maria is fictional, but the conditions described are real. See National Labor Committee http://www.nlcnet.org/campaigns/ca03/AAA/aaa.pdf
[2] Scott, Robert. 2003. The High Price of “Free” Trade. Economic Policy Institute Briefing Paper. Washington, DC: EPI.
[3] Data from the U.S. Dept of Commerce and International Monetary Fund, cited in Scott 2003.
[4] Mishel,Lawrence, Jared Bernstein, and Sylvia Allegretto. 2005. *The State of Working America 2004/2005*. An Economic Policy Institute Book. Ithaca, NY: ILR Press, an imprint of Cornell University Press, page 178.
[5] Exports to Canada and Mexico rose over this period, creating about 2 million jobs. Imports also rose, with a loss of about 3 million jobs. The net effect was a loss of about 1 million jobs.
[6] Mishel Jared Bernstein, and Sylvia Allegretto. 2005. *The State of Working America 2004/2005*. An Economic Policy Institute Book. Ithaca, NY: ILR Press, an imprint of Cornell University Press, p. 183
[7] For international standards, see the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, affirmed in 1998 by the ILO’s 174 member nations, at http://www.ilo.org/dyn/declaris/DECLARATIONWEB.static_jump?var_language=EN&var_pagename=ABOUTDECLARATIONHOME For violations of country standards, see reports of the National Labor Committee at http://www.nlcnet.org/news/
[8] See testimony of Kenneth Roth, Executive Director of Human Rights Watch. http://hrw.org/backgrounder/usa/ken-testimony-0602.pdf
[9]“ In 1914 the Ford Motor Company announced that it would henceforth pay eligible workers a minimum wage of $5 a day (compared to an average of $2.34 for the industry)…Previously profit had been based on paying wages as low as workers would take and pricing cars as high as the traffic would bear. The payment of a living wage …raised workers above subsistence and made them potential customers for, among other things, automobiles,…chang[ing] the very structure of society.” Taken from Fred Thompson, “Henry Ford” http://www.willamette.edu/~fthompso/MgmtCon/Henry_Ford.html