



E-ISSN: 2790-0681
P-ISSN: 2790-0673
IJLJJ 2024; 4(1): 14-17
Received: 02-11-2023
Accepted: 07-12-2023

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Globalization and the international division of labor: Legal challenges and perspectives

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DOI: <https://doi.org/10.22271/2790-0673.2024.v4.i1a.89>

Abstract

This article examines the impact of globalization on the international division of labor and the associated legal challenges. It provides an overview of how globalization has transformed the nature of work and labor markets worldwide. The analysis focuses on the relevant international legal frameworks, such as ILO conventions and WTO regulations, that govern labor standards and trade. The article highlights the gaps and limitations of the current legal instruments in addressing the complex labor issues arising from globalization. It discusses the role of transnational corporations in shaping global labor patterns and their legal responsibilities. Emerging trends like digitalization and the gig economy pose further challenges to the international labor law regime. The article makes suggestions for reforming and updating legal frameworks to better protect labor rights in an increasingly interconnected world. It emphasizes the need for a balanced approach that promotes both economic efficiency and decent work.

Keywords: Globalization, international division of labor, international labor law, ILO, WTO

Introduction

Globalization has dramatically reshaped the nature of work and labor markets worldwide over the past few decades. The expansion of trade, capital flows, and technology has led to greater integration of national economies and labor markets. This has allowed companies to access skills and talents globally, fostering the international division of labor. While globalization has created economic opportunities, it has also generated significant downward pressure on labor standards and wages. Workers in developing countries now compete with their counterparts in industrialized economies. These profound changes pose critical challenges for international labor law and its ability to protect the rights of workers worldwide.

This article examines globalization's impact on the international division of labor and the associated legal implications. The analysis focuses on the key international frameworks governing labor standards and how they have been adapted in response to globalization. It highlights the limitations and gaps in existing legal instruments in coping with emerging trends like offshoring, global supply chains and the gig economy. The article makes suggestions for reforms and initiatives needed at the international level to balance economic efficiency with decent work in an interconnected global labor market. The overarching objective is to provide a comprehensive overview of the complex regulatory issues posed by globalization and perspectives on the future evolution of international labor law.

I. The Nature of Globalization and Its Impact on Labor

Globalization refers to the process of increasing economic, political, and cultural interconnection between nations. Rapid advances in transportation, information technology, and liberalization of trade and investment have drastically transformed the global economy over the past five decades. Some key features include the emergence of global financial systems, growth in world trade, and the expansion of transnational corporations (TNCs) ^[1]. Globalization has also been driven by national policies oriented towards economic liberalization and greater integration with the world economy.

A major effect of globalization has been the reconfiguration of the international division of labor. Historically, comparative advantage determined the location of production based on national factor endowments. Countries exported those goods that made intensive use of

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locally abundant factors ^[11]. However, globalization has allowed companies to access resources, talents and inputs from anywhere in the world. This has led to the international fragmentation of production processes. Stages of production are allocated across countries based on cost minimization and efficiency considerations rather than comparative advantage ^[8].

For example, many American and European firms have offshored parts of production and services to Asia and Eastern Europe. Attracted by the large pool of educated, low-cost workers, multinational enterprises have relocated labor-intensive manufacturing and IT services to emerging economies. Similarly, companies source inputs and talents globally through complex supply chain networks. The resulting global division of labor has had profound impacts on workers worldwide. On the one hand, offshoring has led to job losses and wage stagnation in developed economies for workers in affected manufacturing industries and IT services. On the other hand, offshoring has created employment opportunities in developing countries. However, concerns remain about exploitative working conditions and weak bargaining power of workers in global supply chains ^[17].

In essence, globalization has intensified worldwide labor market integration and competition. This poses significant challenges for international labor regulation, which traditionally focused on domestic norms and institutions. The next section examines the international legal framework governing labor standards.

II. International Legal Framework Governing Labor Standards

The main sources of international labor law are conventions and standards set by the International Labour Organization (ILO) and the World Trade Organization (WTO).

The ILO formulates international labor standards through its conventions, recommendations and protocols. These cover a broad range of workplace issues such as forced labor, collective bargaining, equal remuneration and occupational safety ^[16]. ILO conventions recognize certain core labor rights.

- Freedom of association and collective bargaining
- Elimination of forced and child labor
- Equality at work
- Access to employment opportunities

Over 185 ILO conventions have been adopted, though many have not been ratified by a majority of member states. The eight fundamental Conventions enjoying near-universal ratification are the key pillars of international labor law. However, ILO instruments are not directly legally binding on states. Ratifying countries only commit to respecting the general principles in national policymaking ^[9]. The ILO's review mechanisms for monitoring compliance are also weak.

The WTO agreements recognize member rights to regulate labor policies and working conditions. However, they require that such measures do not unfairly restrict trade. The General Agreement on Tariffs and Trade (GATT) allows exceptions to free trade obligations for measures concerning prison labor, health and employment conditions ^[4]. Regional trade agreements signed by the US and EU also incorporate labor standards, for instance through social clauses. But the WTO framework does not reference core ILO conventions

and sanctions cannot be applied for labor rights violations ^[12].

Critics argue that WTO jurisprudence interprets social clauses narrowly, prioritizing trade over social objectives. For example, in the Guatemala Cement case, the US was prevented from taking action against labor rights contraventions in Guatemala through import restrictions. Thus, the WTO model promotes labor market flexibility over worker protections ^[9]. Overall, the international legal framework offers limited mechanisms to enforce labor standards in the face of globalization.

III. Challenges Posed by Globalization to International Labor Law

Several features of a globalized economy pose challenges for the current international regulatory framework for labor. One major issue is governance gaps created by global supply chains and production networks crossing multiple jurisdictions. Lead firms are usually based in developed countries while outsourced production takes place abroad, often in export processing zones with lax regulations. While ILO conventions cover fundamental principles like forced labor and workplace safety, most standards cannot be applied extraterritorially to govern overseas production activities ^[15]. Home countries struggle to monitor labor practices of foreign suppliers and proxies.

Developing countries seek to attract foreign investors and MNCs through cheap labor and flexible hiring-firing norms. Governments fear that stringent labor regulations may hamper export competitiveness and growth. Thus, countries deliberately under-regulate labor to create a liberal FDI regime. However, this leads to a race to the bottom in labor standards ^[5]. While labor rights advocates push for upward harmonization in standards, others argue this reduces efficiency and competitiveness. Balancing economic goals and social objectives remains contentious at the WTO.

Certain categories like illegal migrant workers, informal laborers and home-based producers often remain outside the purview of domestic labor laws. Trafficking of migrant labor in abusive conditions has also emerged as a major problem. Lack of legal status and bargaining power make such workers prone to extreme exploitation, despite basic protections under ILO conventions ^[6]. Addressing the legal lacuna regarding informal global labor markets remains an unresolved challenge.

These systemic issues illustrate that existing legal institutions have struggled to cope with the complex shifts in global labor division arising from liberalization and globalization.

IV. The Role of Transnational Corporations

Transnational corporations (TNCs) have been the primary drivers and beneficiaries of economic globalization through trade, offshoring and global supply chains. Their investment decisions and procurement practices shape labor demand and working conditions worldwide. TNCs that offshore production can exert a "profound influence on the lives of workers without being subject to commensurate responsibilities and duties" ^[18]. However, their conduct have significant impacts on labor rights in host countries.

Critics argue that TNCs deliberately locate operations in countries with lower labor standards to reduce costs. For instance, Apple and Nike have faced allegations of subjecting workers to excessive overtime, unsafe conditions

and below minimum wages in their Chinese and Vietnamese factories [3, 7]. Monitoring of outsourced and offshore production remains weak despite codes of conduct. TNCs also face accusations of actively resisting unionization efforts and collective bargaining, violating core ILO principles. Furthermore, short-term contracting enables TNCs to evade obligations towards regular workers.

On the other hand, proponents argue that TNCs generate positive spillovers for developing countries by stimulating skills development and transferring practices. However, the net impact remains debated.

TNCs possess no formal legal duties under international law as non-state actors. Soft law mechanisms like the UN Guiding Principles primarily focus on human rights obligations related to child labor and forced labor. ILO's Tripartite Declaration also urges TNCs to respect freedom of association and collective bargaining. But concrete responsibilities regarding working conditions remain ambiguous and enforcement is weak [13].

As key actors shaping global labor markets, defining appropriate legal obligations for TNCs remains imperative. Initiatives like the proposed UN Treaty on Business and Human Rights seek to impose mandatory human rights due diligence on corporations. However, consensus on the scope and enforcement mechanisms remains elusive due to the complex transnational dimensions.

V. Emerging Trends and Their Legal Implications

Globalization continues to reshape labor markets, creating new trends with profound regulatory implications.

Technological change threatens to disrupt existing job profiles and labor dynamics. Increased automation and AI deployment in both manufacturing and services could destroy millions of routine jobs worldwide [2]. But it may also generate demand for new specialized skills. Policymakers face the challenge of implementing robust education and retraining programs.

Existing labor regulations also need modification to offer social protection for unconventional tech-based jobs. Application of standards regarding minimum wages, working hours and collective bargaining remains ambiguous for platform workers in the gig economy. Legal frameworks have been slow to adapt.

Globalized firms now source specialized talent worldwide through immigration, overseas hiring and short-term assignments. New forms of labor mobility create mismatches between workplace regulations and multi-jurisdictional labor contracts [14]. Issues like employer responsibilities, workplace safety, discrimination and taxation across global operations pose legal uncertainties.

International coordination is required to formulate clear transnational labor mobility frameworks aligned with sustainable development. The ILO and UN are facilitating regional and bilateral labor migration agreements for ethical recruitment and worker welfare. But comprehensive global governance mechanisms remain lacking.

VI. Prospects for Reform and Future Developments

Realizing a globalized economy with both efficiency and equity requires modernizing the international legal architecture for labor.

More binding international instruments are needed to enforce core standards across global supply chains. Initiatives like ILO's Decent Work for All 2030 Agenda

provide renewed impetus [10]. But expanding ratification of fundamental ILO conventions across countries continues to be an uphill task. The ILO can strengthen monitoring and impose targeted technical assistance or sanctions for violations. Alternatively, trade-linked labor conditional ties can also incentivize compliance, as adopted in USMCA and EU agreements. Upward harmonization of domestic regulations to align with global labor standards is also essential.

Mandatory due diligence and disclosure regarding offshore labor practices can improve TNC accountability. Multi-stakeholder initiatives like the UN Global Compact encourage responsible business conduct through voluntary commitments. However, moving towards binding regulations and access to judicial remedies remains essential for deterrence. Embedding labor clauses in bilateral investment treaties also subjects TNCs to clearer obligations in host countries.

Governments must formulate adaptive institutions and social protection policies to support workers impacted by technology and globalization. Expanding portable health and unemployment benefits, progressive taxation, and training programs can aid labor transition to new sectors. Legal frameworks also need modernizing to offer basic protections for non-standard employment. International support and best practice sharing are invaluable for designing evidence-based and ethical labor futures.

Conclusion

Globalization has fundamentally transformed the international division of labor through trade, offshoring and digitalization. While creating enormous opportunities, it has also generated decent work deficits and amplified inequalities. International labor regulation has struggled with enforcing standards in complex global production networks. Addressing regulatory gaps and weaknesses remains imperative for ensuring just outcomes in labor markets.

This article has provided a survey of the impacts of globalization on labor and the associated legal challenges. Key areas for modernization include expanding core labor rights, regulating TNCs, and supporting displaced workers through progressive policies and updated laws. With cooperative international initiatives, a human-centered globalization that promotes both efficiency and labor rights can be realized. But pragmatic reforms and new instruments are urgently needed to balance economic growth with decent work.

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