

## Labor Flexibilization and Globalization: Changes in Traditional Human Resources Management

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**Abstract:** This paper analyzes how changes to the global organization of capitalism accompanied and intensified by globalization through HRM policies, which affect the regulation of labor and the employment relationship. One of the most significant of these changes has been the dramatic increase in the rate of cross-border merger and acquisition activity. Of equal significance, especially for the regulation of labor and the employment relationship has been the pronounced tendency of global enterprises to transform themselves into coordinators and organizers of activities performed for them by contractors, sub-contractors and suppliers. Outsourcing and subcontracting have allowed global enterprises to reduce and externalize the costs incurred from the direct employment of labor. The growing dominance of Human Resource Management (HRM) in the regulation of labor and the employment relationship has occurred in tandem with the increasing flexibilization of labor. Some aspects of this are exemplified through the increasing trend in part time labor and eradication of gender bias in the garments industry as well as part time employment and flexi time in the rapid emergence of private educational sectors in Bangladesh. In addition, some thoughts on the growing HR system in Bangladesh are discussed with emphasis on the main characteristics of its workforce.

### 1. Introduction

With increasing globalization have come enormous and far-reaching changes in the global organization of capitalism. These changes are the result of the fierce international competitive pressures faced by enterprises operating in the global marketplace. One of the most significant changes has been the dramatic increase in the rate of global merger and acquisition (M&A) activity. Another has been the pronounced tendency of global enterprises to reorganize their operations so that they are transformed into coordinators of activities performed on their behalf by others. The sub-contracting and outsourcing of operations, particularly the more labor intensive ones, enable firms to reduce their overheads by externalizing the capital and other costs associated with the direct employment of labor. Naturally, outsourcing and subcontracting have resulted in the lengthening, indeed the globalization, of supply chains which have accordingly also

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grown in complexity. Globalization, and the development of global capitalism, has been greatly facilitated by, amongst other things, the reduction or removal of trade barriers, and the drastic weakening of barriers to the global movement of capital. Over the last few years, Human Resource Management has facilitated the flexibilization of labor facilitated through globalization and the opening up of markets. This article therefore examines recent trends and developments in global capitalism and analyzes how these have led to the 'flexibilization' of worker and employment.

## **2. Globalization and global capitalism**

Jan Aart Scholte argues that on the one hand capitalism has been a primary cause of globalization, but on the other that global (that is, supraterritorial) capitalism has been one of its main consequences. Globalization has greatly strengthened capitalism to the extent that it is the prevailing, and largely unchallenged, structure of production and exchange across the globe. Surplus accumulation has been extended to the consumer, finance, information and communications sectors. The extension of surplus accumulation into these sectors has been accompanied by "major shifts in the organization of capitalism, including the rise of offshore centers, trans-border companies, corporate mergers and acquisitions, and oligopoly" (Scholte, 2000, p. 111).

Herman Knudsen observes that Multinational Enterprises (MNEs), or Transnational Corporations (TNCs), are increasingly responsible for the initiation and organization of global economic activities. In 1996, it was estimated that there were about 44,000 TNCs in existence worldwide (Global Governance Reform Project, 2000, p. 34). These are "parent" TNCs that controlled about 280,000 affiliated organizations, of which "37,000 were 'home-based' in the fourteen major developed OECD countries," 90% having their headquarters in the countries of the developed world (Hirst and Thompson, 1999, p. 68). Fifty of the 100 largest economies are not nation states but TNCs. Only the largest developing country economies, such as India and the People's Republic of China, are included in the 50 largest economies. Moreover, "1% of TNCs now account for 50% of world FDI" and "70% of global trade is controlled by a mere 500 TNCs" (Malhotra, 1998). The global dominance of large corporations is also reflected in employment figures, with approximately one in five employees in the developed countries directly employed by TNCs. When subcontracted and franchised operations of TNCs are factored in, the proportion rises to about two-fifths (Knudsen, 2001, p. 2).

Cross-border mergers and acquisitions account in large part for the spectacular growth in size and influence of TNCs over the last several years. Such acquisitions and mergers have direct and profound implications for a TNCs workforce in all the countries in which it operates.

Knudsen (2001, p. 3) points out, “by becoming multinational and by acquiring additional plants, a company increases its ability to apply ‘divide and rule’ tactics and practices in its dealings with the workforce” (2001, p. 3). These tactics are particularly effective in situations where a company produces the same or very similar products at different sites. Using techniques such as benchmarking, a company collects comparative information on productivity and performance at its several plants and on this basis makes decisions on levels and types of investments. Not surprisingly, investment decisions favor those sites where productivity and performance are best, while the poorer performers face disinvestment or even closure.

### **3. Globalization and the ‘flexibilization’ or ‘informalization’ of work**

As Scholte (2000, p.222) observes, “Accelerated globalization in recent decades has affected not only the opportunities for waged employment, but also the conditions of work”. What he calls the ‘flexibilization,’ what other commentators have termed the ‘informalization’ of work has been a particularly insidious development. The manner in which human resources are deployed in the workplace, working practices and wages, labor mobility, and the range of tasks an individual worker is routinely called on to perform have all been affected by flexibilization. Indeed, while labor flexibility has many forms, these can all generally be fit into one or other of the following categories:

1. Reducing the core of permanent workers
2. Increasing the proportion of temporary and casual employees [also known as peripheral workers]
3. Increasing the use of women, apprentices and migrants
4. Subcontracting the production of components previously manufactured within the factory
5. Subcontracting services like transport, packaging, maintenance, security, etc., which are carried out on factory premises
6. Increasing the number of shifts per day or the use of overtime; replacing pay systems based on working time and length of service by systems based on piece rates and bonuses
7. Introducing internal training systems which facilitate redeployment of workers within the factory or enterprise and
8. Reducing influence from external trade union organization by either eliminating unions or establishing a controllable (company) union.

The version of globalization with which we all have had to become familiar owes much to the hold which neo-liberal ideas, strategies and policies have had over governments and policy makers in the developed world, and increasingly in the underdeveloped countries as well. As far as work and employment are concerned, the growing global demand for flexible labor which has accompanied globalization has been generated by “the deregulation of labor markets, fragmentation of production processes, de-industrialization and emergence of new areas of export specialization” (Kanji and Menon Sen, 2001, pp. 1-2). But this is only half the story. The increased demand for flexible labor has meant the feminization of labor – the growth in the numbers of low-paid, flexible female workers around the world. Jobs growth in the advanced industrial economies over recent years has been predominantly in the area of part-time and casual work. Women's employment opportunities have increased with such jobs, divided mostly into the unskilled or semiskilled category.

Flexible jobs as mentioned above have proliferated in leading sectors of the global economy, such as retail, hospitality, information and communications, and banking and finance. They have also proliferated in the traditional sweated trades and industries, such as textiles and clothing, and increasingly in the industrialized countries as well. Flexibilization has also accompanied the deindustrialization of the older industrial cities and regions, and relocation of process, assembly and other labor-intensive operations to the low-wage countries. The introduction or relocation of production facilities to Greenfield sites in cities and regions with no prior history of labor activism and union militancy has been a parallel development. Flexibilization has also become more widespread as has the widely perceived need for enterprises; industries and national economies to remain globally competitive become more and more imperative. Managers and workers alike have generally had to accept that improved wages and working conditions and more stable employment arrangements would undermine the competitiveness of the firm and lead to production and other operations moving offshore (Scholte, 2000, p. 224).

The workforce of the global enterprise is increasingly divided into core workers and peripheral or flexible workers. The core workers are generally highly skilled professionals directly employed by the enterprise in its global headquarters, usually located in one of the advanced industrial countries. These workers are usually, fulltime, permanent employees who are relatively well paid and receive other attractive rewards and entitlements. In contrast, the peripheral workers are not employed by the enterprise itself, but by its sub-contractors and suppliers. They are generally part-time or intermittent workers on low casual rates of pay. Employment growth in the less developed countries over the past several decades, as well as in the advanced industrial

countries over the same period has seen a spectacular increase in the size of the flexible, female labor force rather than in the ranks of fulltime employees.

If we consider the case of Bangladesh, we can find that the part time or temporary workers are increasingly dominant in our business environment. For example, most of the banks and insurance companies employ temporary executives for selling or promoting their services (i.e. telephone banking, credit cards and insurance policies etc.). Mobile phone companies are hiring part time employees to provide customer services. For example, part time workers are employed in the call centers of some major telecommunications companies such as Grameenphone for dealing with customer enquiries. IT companies employ part time data entry operators, graphic designers and website developers etc. Fast food and restaurant industry are also employing part time workers for rendering services and working as kitchen hand. Pizza Hut and KFC are two such examples of franchises in the country that are successfully using this peripheral workforce. The employees of these fast food companies normally perform one particular type of activity throughout the whole day for five to six days of a week; usually working as front line employees dealing with customer orders or being hired as a waiter. In other institutions like universities, colleges and sports clubs, part time professional employees also play a part where they work two or three days in a week .

Many Private Universities in Bangladesh for example seem to show a growing trend towards part time workers with such educational institutions gradually using the concept of flexi time in organizing working hours for both full time and part time workers. Employees have the freedom of making their own decisions in managing and organizing their time on when to start and finish on a particular day. This allows them to divide their time between their professional lives and personal lives and also finding the time to spend with their families. This increases motivation and productivity at work and in turn, less absenteeism, lower turnover and higher morale in workplaces.

On the other hand, some historically female oriented industries of Bangladesh are now employing male employees. Previously in garments industry, most of the jobs suited female workers and were offered only for female workers, but garments industries are also offering production floor jobs as well as decision-making jobs for males at present. For example, in the last two decades, 2 million garment workers were working in the RMG units of Bangladesh, of whom 80 per cent used to be women. RMG roughly covers 76 per cent of the total export of the country and is the highest earning industry in the economy. By 2003, the percentage of women working in the garments industry has reduced to 65.27 percent through the hiring and participation of more male workers in the middle and bottom level of the management hierarchy (The Daily Star, June 6, 2006).

#### **4. Impact of HRM on the labor market**

As suggested above, with increasing globalization, the international competitiveness of enterprises has become a crucial factor in their growth and survival. This is true not only for firms that operate in the global marketplace, but also for firms whose scope of operations is restricted to the national economy of a particular country and even for those that only service local or niche markets. The removal or reduction of trade barriers, dismantling of the barriers to the global movement of capital, the growth in size and influence of TNCs, and the widespread availability and use of communication, information and transportation technologies that make global transactions possible have together ensured that all firms regardless of their scope of operations are now subject to global competitive pressures. Sriyan De Silva (1998, p.2) points out in this regard that “enterprises driven by market pressures need to include in their goals improved quality and productivity, greater flexibility, continuous innovation, and the ability to change to respond rapidly to market needs and demands”. Directly in line with this trend, the quality of a firm's “human resources” (employees or workers) is now a crucial ingredient in its overall competitiveness in the global economy. As Arturo Tolentino notes that good HRM becomes an important cornerstone of an enterprise’s competitiveness strategy. Being an integral part of the strategic management of an enterprise, the various HRM policies, functions and practices should contribute to the creation and sustenance of the enterprise’s competitive advantage. Thus, the development of the culture of productivity and creativity, the building-up of mutual trust and shared values, initiative and self-management, and multi-skilling and skills upgrading and continuous learning must always be priority goals of the various HRM functions (i.e. human resource planning, staffing, and allocation; human resource utilization; human resource development and motivation and commitment-building) (Tolentino n.d., p. 3).

According to Tolentino, with the growing importance of the quality of an enterprise’s human resources to its competitiveness and, therefore, of the soundness of its HRM policies and functions trust and shared control, and even “self-management”, have grown in significance in the organization of work and the coordination of the different sections and divisions of the enterprise. Workers are encouraged to identify with the enterprise, and its objectives, values and philosophies. In the modern enterprise, because “work is complex and constantly changing, ‘direct control’ based on supervision becomes too expensive and unwieldy, and ‘bureaucratic control’ based on work standardization, rigid systems and procedures and rules and regulations is not workable and is counter-productive” (Tolentino n.d., p.3).

The growing significance of self-management and the corresponding decline in direct control, in modern enterprises should not be allowed to obscure the fact that HRM is an important, often indispensable, means of achieving management objectives. While employees are encouraged and rewarded, for identifying with the enterprise and for helping it to achieve its objectives, the vast majority have no effective role in management and play virtually no part in defining the enterprise's objectives (Rix, 2001, p. 4). As the quality of an enterprise's human resources becomes an increasingly important factor in its international competitiveness, so does HRM attain a more dominant position in the enterprise's overall management structure and decision-making. This is a trend which clearly demonstrates a change in power relations and highlights the supremacy of management. The managerial agenda is increasingly focused on innovation, differentiation, quality and cost reduction. Human resource management makes more demands on employees, work is intensified ...there is less room for managerial slack and for indulgency patterns (de Silva, 1998, p. 2).

From the viewpoint of HRM practices in Bangladesh, organizational structures, strategies and company policies are gearing more towards the integrating the needs of the organization while at the same time motivating its employees in order to meet these needs. However, this has been a very slow process over the past few decades. For instance, according to Hofstede's theory, the Bangladeshi society can be described as more collectivist and group oriented. The education system is very standardized which aims more towards gaining knowledge from 'textbooks' and fostering integration of groups and maintaining discipline, rather than producing creativity and high overall standards. Such an educational system generates a large quantity of able blue and white collar workers who are well educated and highly motivated, but are afraid to take risks with innovative ideas and business plans. As a result, the Bangladeshi economy shows a workforce of quite similar talents, capabilities and responsibilities. From an economic context, this workforce is characterized more by incremental than by breakthrough innovations. Thus, from the point of view of Human Resource management in a Bangladeshi perspective, policies should be promoted which are more geared toward long-term growth and improvement of product and service quality i.e. through the usage of the total quality management program. Therefore, it should be continuously stressed that management practices in Bangladesh should concentrate consistently on quality improvement which would lead to human resource practices adapting to the involvement and participation of every company member in the management hierarchy. Companies should pursue and invest in extensive and group-oriented training and development according to the needs of the employee depending in which level of the management hierarchy he/ she is in. For example, many banking sectors in Bangladesh are

concentrating on the training of soft skills of its employees. Staff coordination should also be primarily through horizontal communication bottom-up and participative oriented decision-making. Organizational goals and objectives can only be met this way through coordination and motivation of its employees, through integrating HRM in the management strategies in the organization.

Unlike the personnel function, HRM is fully integrated into strategic management, concerned as it is with ensuring that the enterprise's human resources are deployed in such a way as to ensure their commitment and contribution to the strategic objectives of the enterprise. Instead of emphasizing "problem-solving and mediation," HRM is chiefly interested in incorporating the enterprise's human resources into corporate strategy and planning. Employee participation and cooperation are facilitated by programs of corporate culture, remuneration packaging, team building and management development for core employees, as well as gradually encouraging participation of peripheral workers into the management culture (de Silva, 1998, p. 4).

Scholte (2000, p.225) points out that globalization have had a decidedly corrosive effect on employment security. He also argues that the "economic logic" of flexibilization is highly questionable, leading to reduced rather than enhanced efficiency and competitiveness. Workers who are well trained, well-paid and who have stable and secure jobs may well be more "motivated, reliable and productive" than 'flexible' or 'irregular' employees (Scholte, 2000, p. 225). He notes that "To this extent the 'race to the bottom' in wages and other working conditions could operate not only against human security, but against efficiency as well" (Scholte, 2000, p. 236).

According to Dan Gallin (2000, pp. 6-7), the emergence and development of a global labor market is "the most important social consequence of globalization." Capital mobility and the rapidity and reach of communications networks, at once important causes and consequences of globalization, mean that workers in all countries, including the industrially advanced nations, are competitively underbidding one another in an unseemly, and from the point of view of efficiency and productivity, counter-productive global race to the bottom. As seen above, this underbidding has set in motion a relentless downward spiral of deteriorating wages and conditions through competitive deregulation and informalization of work.

The changing structure of transnational enterprises largely accounts for the rise of 'flexibilization' or 'informalization.' As Gallin (2000, p.18) notes, the transnational enterprise organizes work carried out for it by others. At the head of the corporation is the corporate headquarters, which "directs production and sales, controls subcontracting, decides at short notice what will be produced where, when, how and by whom, and where



certain markets will be supplied from". It is here that management and the core labor force of highly skilled technicians and others will generally be located. Production and all other labor-intensive operations are outsourced and subcontracted, the company being essentially a coordinator of elaborate, cascading chains of outsourced production.

These subcontracted operations are not part of the corporation's formal structure, "but will nevertheless be wholly dependent on it, with wages and conditions deteriorating when moving from the centre of operations to the periphery" (Gallin, 2000, p. 18). The majority of workers in the developing countries, and a considerable and growing proportion of the labor force in the developed, industrialized countries, are employed in the informal sector.

For the shrinking numbers of core workers within the enterprise, it is about performance, skills and individualized monetary rewards. For the peripheral workers – those employed by contractors, sub-contractors and suppliers – on the other hand, HRM is about short term and there are insecure jobs, low piece rates, lack of opportunities for training and career advancement, and so on. But it is also about performance – getting more for less by the intensification of work (speeding up, a reduction in the piece rate, or casual hourly rate, etc.).

## **5. Conclusion**

Globalization has subjected global companies and companies servicing national and local markets to the same competitive pressures. These pressures have led to the restructuring of global and national enterprises and the reorganization of production, in particular, the outsourcing and sub-contracting of labor-intensive operations. The increasing practice of HRM in the last few decades has been accompanied by the division of the workforce into a shrinking group of core workers and a rapidly growing corps of peripheral or flexible workers, most of whom are female workers. The firm at the top of the supply chain determines the employment conditions of the flexible workers, who are employed by the contractors, sub-contractors and suppliers to the top firm. Governments and trade unions have an absolutely indispensable role to play in labor regulation, particularly in the regulation and improvement of the employment conditions of flexible workers. However, any system of labor regulation will have only limited efficacy in this respect as long as workers in different countries, and in different parts of the same country, are compelled to compete with one another for work in national and global labor markets without any effective and centralized system of regulation of these labor markets and a complementary system of social protection. There is an increasing need, because of continuous globalization, to learn systematically from different management practices. For a more thorough analysis, country-specific management models could be selected and their strengths and weaknesses compared with one another. This comparative study

would aim to promote a better understanding of how management practices of some major economies differ and what this entails for the possibilities of learning from one another, especially for a country like Bangladesh.

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