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Structural Changes and Impacts on Labour:

Paper Title:

“The Impact of Global Value Chain Consolidation and Capital Markets on
Labor Conditions and Workers’ Rights in Less Developed Countries”

Mark Anner

Associate Professor and Director, GLU Masters Program
The Pennsylvania State University, USA

msa10@psu.edu

Abstract

Workers at the bottom of Global Value Chains continue to face low wages, increased work intensity, excessive hours of work, excessive overtime, and violations of freedom of association rights. Common explanations for these trends include regulatory voids in emerging market economies (Locke, Amengual, and Mangla 2009), abusive local employers (Delpech 2015), and inefficiencies in factory-level social compliance programs (Wells 2007). This paper argues that, in addition to these factors the lead firm consolidation and capital market leverage in global value chains play a major role in patterns of worker rights abuses at the bottom.

The global supply chain approach assumes some degree of power asymmetry in supply chains (Dicken 2015; Gereffi, Korzeniewicz, and Korzeniewicz 1994). This imbalance is particularly pronounced in the buyer-driven global supply chains. Retailers and brands (‘buyers’) have increasingly consolidated their power through mergers, acquisitions, and market consolidation (Abernathy et al. 1999; Bonacich and Appelbaum 2000). At the same time, capital markets –be they shareholder investment in publicly-traded companies or private equity firms—have augmented their leverage and pushed firms to increase revenue and decrease costs, often with deleterious effects on workers (Appelbaum and Batt 2014; Weil 2014).

To explore this argument, I analyze trade and capital market data, draw on findings in three original surveys, and conduct interviews in the field. Three surveys were conducted for this project: 1. Supplier factory survey in Bangladesh, where we found significant evidence of a price and a lead time squeeze; 2. Supplier factory survey in India, which indicated similar patterns, albeit with more marked seasonality; 3. Garment worker survey in India. The evidence suggests that a sourcing squeeze at the top of supply chains is indeed putting downward pressure on labor and workers’ rights.