



Modern Slave Work

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Periodically, TJSGA publishes commentaries of relevance for The Living Wages North and South Initiative (TLWNSI). This commentary clearly exhibits the absolute impossibility of sustaining the current North-South system of exploitation, of quasi-slavery in which the South's role is, essentially, to supply labour at a cost that perpetuates it in servitude and to surrender its natural resources to the global corporations of the institutional investors. It also shows us how, despite the official rhetoric that states that the decent work concept has led to the international consensus that productive employment and decent work are key elements to achieving poverty reduction, everything remains the same.

During the seventies of the last century, the hope for an improvement in the living conditions of the world's population was influential even on the political left. It was seen as possible that workers of the Southern nations, in time, would be able to reach standards close to those achieved by Northern workers. That is, it was assumed that the gap dividing them would narrow.

Little more than thirty years later the situation completely refutes such suppositions. The gap has not narrowed but widened, whilst the living conditions of Northern Workers have deteriorated. As these decades have gone by, we have witnessed how the social pacts, healthcare, job stability, economic health, in the best of cases, have deteriorated significantly.

There is an evident social breakdown both North and South that neither governments nor political parties want to address because they do not want to move away from their exclusively economic vision. Social decay has cut profoundly into people's spirits. Family disintegration is not only due to the so-called freedom to choose and more latitude in the use of individual rights inside families, it is primarily due to the decay in living conditions, labour stability, real wages, social security, and to excesses in individualism and the loss of a sense of community. Family ties have weakened, and in many cases have been broken, with all the inherent implications. In other instances people endure a deep isolation inside their own family. As a general reaction, mankind is immersed in the increase of many addictions, in the use of drugs and in the accelerated emergence of sects.

The disappearance of the Welfare State and, subsequently, the weakening of the Regulator State have run concurrently and are the consequence of the accelerated emergence of corporations; a sort of gradual coup d'état, where big corporations and financial groups have overtaken power. The Reagan-Thatcher era with legislative deregulation against monopolistic practices, with the elimination of governmental regulation, with the thinning and/or privatisation of public services, redirected tax revenue to finance directly and indirectly these power groups and not the people suffering from the inequalities generated by the market.

Corporate culture has changed dramatically. In the Welfare State ethos, thirty years ago, many multinationals felt a genuine responsibility for their employees. Many industries were regulated, and competition was not as brutal as today. Ruthlessness began when business was deregulated, and governments stopped, in classical neoliberal style, performing their balancing act. With this kind of competition, massive layoffs began as a measure of last resource during hard times, when a company was struggling to survive. Yet, years ago, massive

layoffs became a measure of first recourse, primarily to strengthen shareholder value, as analyst Davan Maharaj comments: *For many corporations, downsizing has become a strategy that is used in good times and bad. Senior managers, under considerable pressure from stockholders to increase profits, often take the easiest way by cutting employment costs* [Maharaj: 1998].

At the beginning of the sixties, the development of slave work began in a limited way in Southeast Asia through the implementation of an economic paradigm based on the supply of very cheap labour for labour-intensive manufacturing in Hong Kong, Singapore, Taiwan and South Korea. Subsequently, in-bond plant areas began to emerge, not just in Southeast Asia but also in China, Brazil, Mexico and Eastern Europe [Michel Chossudovsky: 2002]. Large corporations moved part of their production to these regions. Until that moment sectors that based part of their manufacturing in the overexploitation of workers in other countries cannot be pin pointed. The change of dimension comes with the entrance of China in the market, to turn "modern slave work" into a generalised labour feature in big corporations in a wide diversity of manufacturing sectors.

The economic reforms that began in China in 1978 took a great leap forward in 1995-98, by putting at the disposition of global corporations hundreds of millions of people under miserable wage conditions and under strict State control that blocks the use of the most basic labour rights, such as the right to freedom of association and collective bargaining to demand improvements in labour conditions and wage remuneration. Anywhere between ninety and one hundred million Chinese have moved from the rural fields to the cities in the last few years and it is expected that another hundred will also move in the present decade [China S.A., Ted C. Fishman]. Corporations relocated to these low-wage regions and, better yet, where the State would guarantee labour control. This is how "modern slave work" emerged massively and as a core production element in most manufacturing sectors. Southern countries' labour dropped to servitude costs. The in-bond plant sector is the most evident but this occurs in all economic sectors.

The conditions under which big apparel, consumer electronic and many other sectors' brands are manufactured in China, were described by Pun Ngai at the end of the 1990s, and are essentially no different from the conditions recently exposed in the manufacturing of apparel from Thalia Sodi's brand in Jordan. Work shifts last between 15 ½ and 16 ½ hours a day, seven days a week and earn 120 dollars a month. A portion of the wages is retained by the plant to pay for workers' room and board. Workers have one or two rest days a month. Production timing is predetermined and, if they work slowly, 10 to 15% of wages may be deducted. Overtime, accounting for 45% of total time worked, is not paid. Talking during work is forbidden and workers have to ask for permission to use the restroom, which they are allowed to use two to three times during the long shift. Restrooms are in despicable condition, with no toilet paper, soap or towels. Conditions at sleeping barracks are extreme. Each barrack of about 12 by 12 feet accommodates eight workers. Other brands producing in Jordan, which export over a billion dollars to the U.S. are Gap, Target, Liz Clairborne, Victoria's Secret, L.L. Bean, among others.

Since the mid 1990s, Chinese workers, despite strict controls and official repression, began to denounce the inhuman working and living conditions to which they were subjected. In reaction to this pressure, the Chinese government prepared new labour legislation acknowledging some basic labour rights that have been the norm generations ago in other regions of the world. Nonetheless, opposition to this law, which requires labour contracts, layoff indemnity and collective bargaining, could not come any sooner from global corporations. Corporations such as Wal-Mart, Google, UPS, Microsoft, Nike, AT&T and Intel, among others, followed by European multinationals, through business organisations such as the Shanghai Chamber of Commerce and the U.S. – China Business Council, are doing all they can to stop this legislation and maintain exploitative and extreme poverty conditions, the rejection of basic human rights, unhealthy conditions, the absence of legal contracts and the lack of labour safety conditions for millions of Chinese workers.

This is an emblematic window of slave work as part of a premeditated and perverse exploitative system of the South's human and natural resources imposed by a global market system. There is a tacit North-South alliance –from the centre to the periphery– in which the North's big centres of global capital and the South's political-business oligarchies are in partnership for the free usufruct of these resources for their very private interest. The system is controlled by the big institutional investors –the stock brokerage firms in the largest financial markets– that are those who impose a capitalist culture, whose only goal is the maximisation of shareholder value and which is deprived of any moral value and any sense of social responsibility. With this we are back in a new edition of colonialism, pardon the redundancy, of a new neo-colonialism of the Southern countries with the systematic joyful and enthusiastic participation of their oligarchies. This has imposed very concrete conditions of inequality and exploitation –engendered by supposedly growth strategies– of the Southern countries that allow the use of labour at servitude costs.

This has created an ethos of quasi-slavery, of systematic human exploitation, which translates into an ethos of misery and poverty for the vast majority of the population in the South. Poverty in turn engenders numerous social problems in a perverse circle. A circle, which acts as a net social injustice generation system that blocks human development –and not economic development per se– despite that the former must be the purpose of any democratic society. Such

an ethos –corroborated through rigorous analysis– blocks domestic market growth. Indeed, poverty research in countries such as Mexico has reported that, in terms of demographic growth, Mexico is a net producer of poor people. That is, every year more Mexicans are added to the masses of poor than newly-born Mexicans are added to total population [Boltvinik - Colegio de México, 2000].

As shown in the table, in the last twenty-nine years, real wages for Mexicans have deteriorated gradually. In 1975 Mexican manufacturing real wages were equivalent to 30% of the wage required to be a living wage in purchasing power terms. By 2004 the Mexican manufacturing real wage had collapsed so much that it covered only 15% of the amount required to be a living wage in purchasing power terms. That is, while the cost of living increased 238%, nominal wages increased only 72%, moving from US \$1,45 hour to \$2,50 in twenty –nine years; thus, real wages have dropped 50% in purchasing power (from 30 to 15% of a living wage). In this way, the wage gap has doubled and misery has exploded dramatically. Yet this only exposes the situation of manufacturing workers in the formal sector. Wage conditions of workers in traditional sectors are even worse and much worse for the great mass of workers who have been thrown to the informal economic sector. The same thing occurs in all the Southern countries. Nonetheless, the Chinese case is undoubtedly the most dramatic and gaunt in the world, and constitutes the paradigmatic symbol of slave work in the twenty first century.

Wage Gap - Mexico – Wage Compensation Comparison for Manufacturing Workers in Purchasing Power Terms									
Nominal, Real and Equalised Compensation		1975	1980	1985	1990	1995	2000	2002	2004
Benchmark	1. Hourly Nominal Wage U.S.	6,16	9,63	12,71	14,84	17,21	19,70	21,4	23,17
Mexico	2. Equalised Nominal Compensation PPP \$ US	4,83	7,88	6,75	8,07	7,94	11,36	14,85	16,32
	3. Actual Nominal Compensation \$ US	1,45	2,19	1,58	1,56	1,47	2,20	2,60	2,50
	Compensation equalisation index (3/2)	0,30	0,28	0,23	0,19	0,19	0,19	0,18	0,15
*Definitions:									
– PPCs stands for Purchasing Power Parities, which reflect the currency units in a giving currency that are required to buy the same goods and services that can be purchased in the base country with one currency unit. This analysis uses the U.S. and the U.S. dollar as the benchmark. – Wages are expressed in US dollars in line with the exchange rate for each year. – Equalised Nominal Compensation PPP, expresses the hourly U.S. dollar nominal rate required in a given country to equally compensate a local worker, in terms of purchasing power, for equal work rendered, as the equivalent U.S. workers is compensated, in accordance with Article 23 of the UN Universal Declaration of Human Rights of "equal pay for equal work". – Actual Nominal Compensation is the nominal hourly wage paid in a given country. – Compensation equalization index expresses the ratio of actual nominal pay to equivalent nominal PPP hourly pay (3 between 2).									
Sources: The Jus Semper Global Alliance analysis using the sources below.									
– World Development Indicators 1998, 2000, 2002 and 2004, 2006, The World Bank, table 1.1 – International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, November 2005. U.S. Department of Labour, Bureau of Labour Statistics – PPPs for OECD Countries 1970-2002, OECD 2002 and GDP PPPs historical series 1970-1999.									

When there is no distribution of wealth through wages, wealth is concentrated whilst the negative effects are concurrently generated, which relegate millions of people to the informal economy, which does not generate aggregate demand nor provides the necessary resources to comply with the first responsibility of any government that regards itself to be democratic: to procure the welfare of each and every rank of society, especially of the dispossessed, where its main function is to act as the regulating agent of the natural excesses of capitalism. This in turn generates the exclusion of labour forces from access to a dignified quality of life. This blocks real economic growth through the generation of virtuous multiplying effects –that generate aggregate demand and new jobs to satisfy the new demand, and that increase tax revenue to finance the Welfare State programmes (health, education, housing)– and the environmental conservation programmes within a sustainable ethos.

This is the North-South system of exploitation of quasi-slavery –dictated by the big corporations: the institutional investors– in which the role of the South is essentially to supply labour at a cost that perpetuates it in serfdom and to surrender its natural resources to the global corporations of the institutional investors. This is an absolutely unsustainable paradigm in the long term, for it is a net generator of poverty, of inequality and of environmental decay. There is no greater factor of inequality, imbalance and planet decay than human exploitation. It is estimated that the misery wages paid in the South subsidise 25 to 40% of the North's real wages [Hoogvelt, 1997]. Just as it is expressed in the Decent Work Agenda of the International Labour Organisation, albeit everything has remained rhetoric, the decent work concept has led to an international consensus that productive employment and decent work are key elements to achieving poverty reduction, and we add, and also to procure a more fair and sustainable society.

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Useful links:

www.jussemper.org
www.elpoderdelconsumidor.org.mx