

# Institutional theory and digital labour in developing countries

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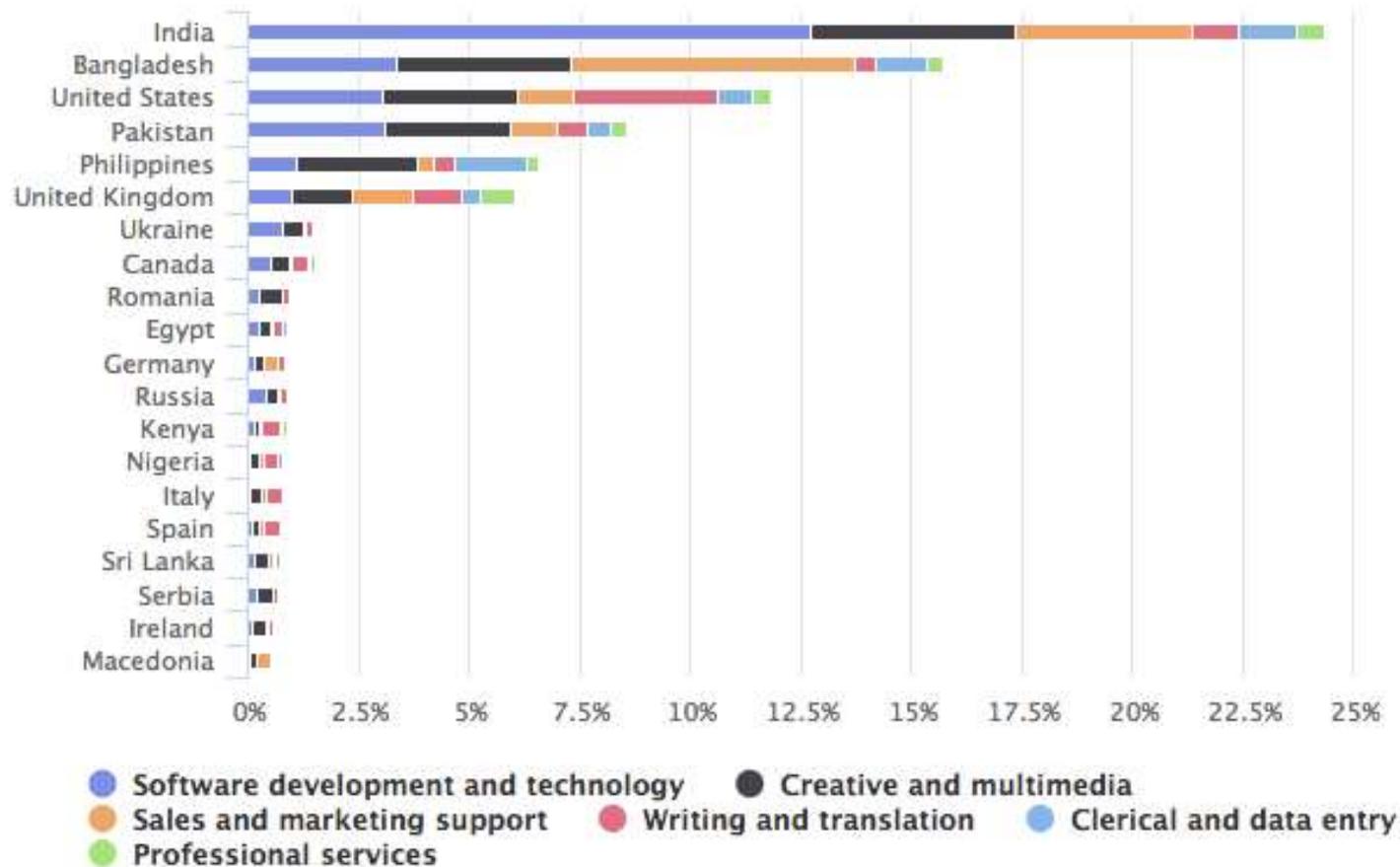
International Institute of Information Technology Bangalore

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# The international division of digital gig work



*Online Labour Index top 20 worker home countries, 1-6 July 2017*

Source: <http://ilabour.oii.ox.ac.uk/where-are-online-workers-located-the-international-division-of-digital-gig-work/>

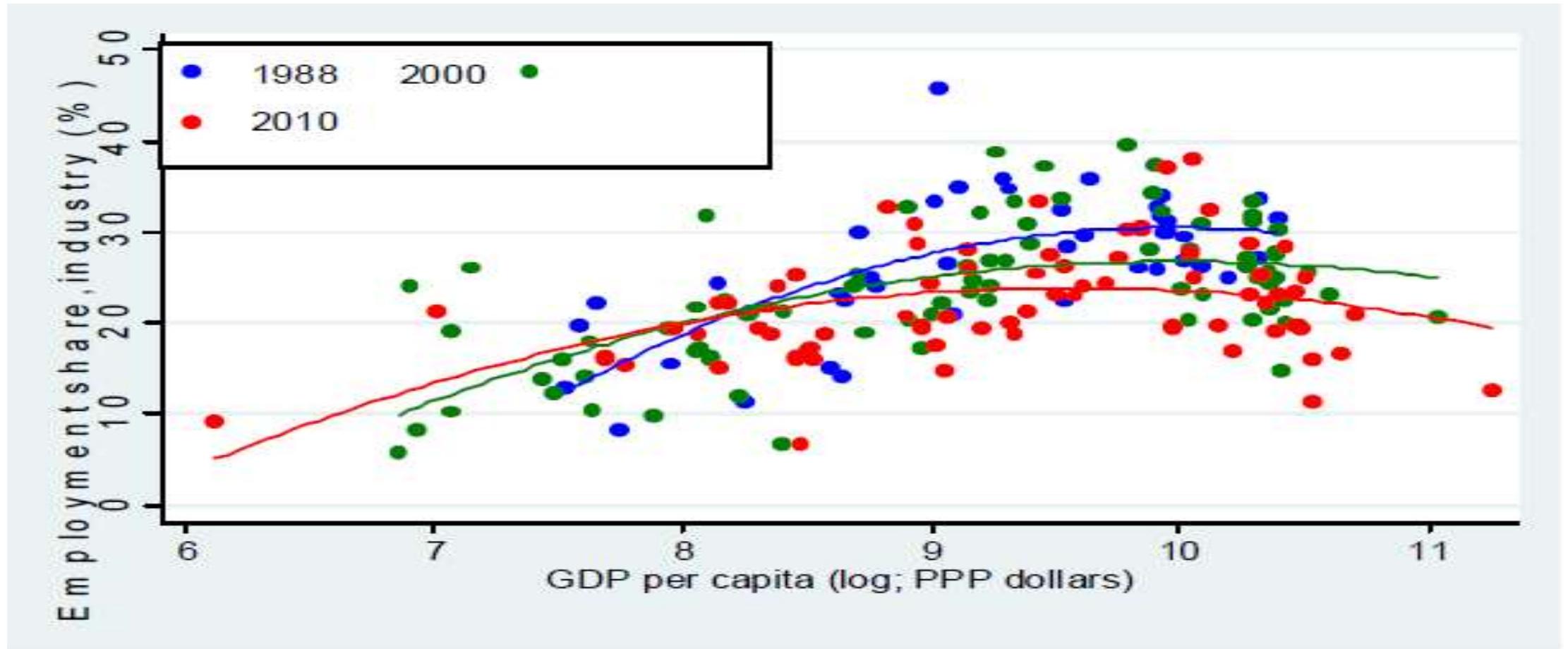
# Evolving institutions and digital technologies

- since institutions have a history, presentation will situate the platform/gig economy within increasing economic globalization and the changing nature of capitalism enabled by the evolution and spread of information and communication technologies (ICTs)
- will be examined in 3 phases over a ~50 year period
  - (i) the outsourcing of manufacturing in the 1970s and 1980s to emerging markets
  - (ii) outsourcing of software and business processes in the 1990s and 2000s
  - (iii) the rise of the platform/gig economy

# Institutional actors in emerging economies: the state

- in each instance, presentation will examine similarities and differences in developmental issues and concerns, especially insofar as they pertain to labour
- in emerging economies, the focus will be on the changing role of a central institutional actor i.e. the developmental state which has historically undertaken the political project of national socio-economic transformation through “late-industrialization” by guiding the terms of integration with the global economy
- how can the developmental state play a role, with global flows which seem to increasingly render national boundaries fluid, in the platform/gig economy?
- I draw from the role of various developmental states, especially India, a non-entity in the globalization of manufacturing but has played a more central role since the 1990s since the outsourcing of software and business processes

# Technological transformation and the limits of late industrialisation

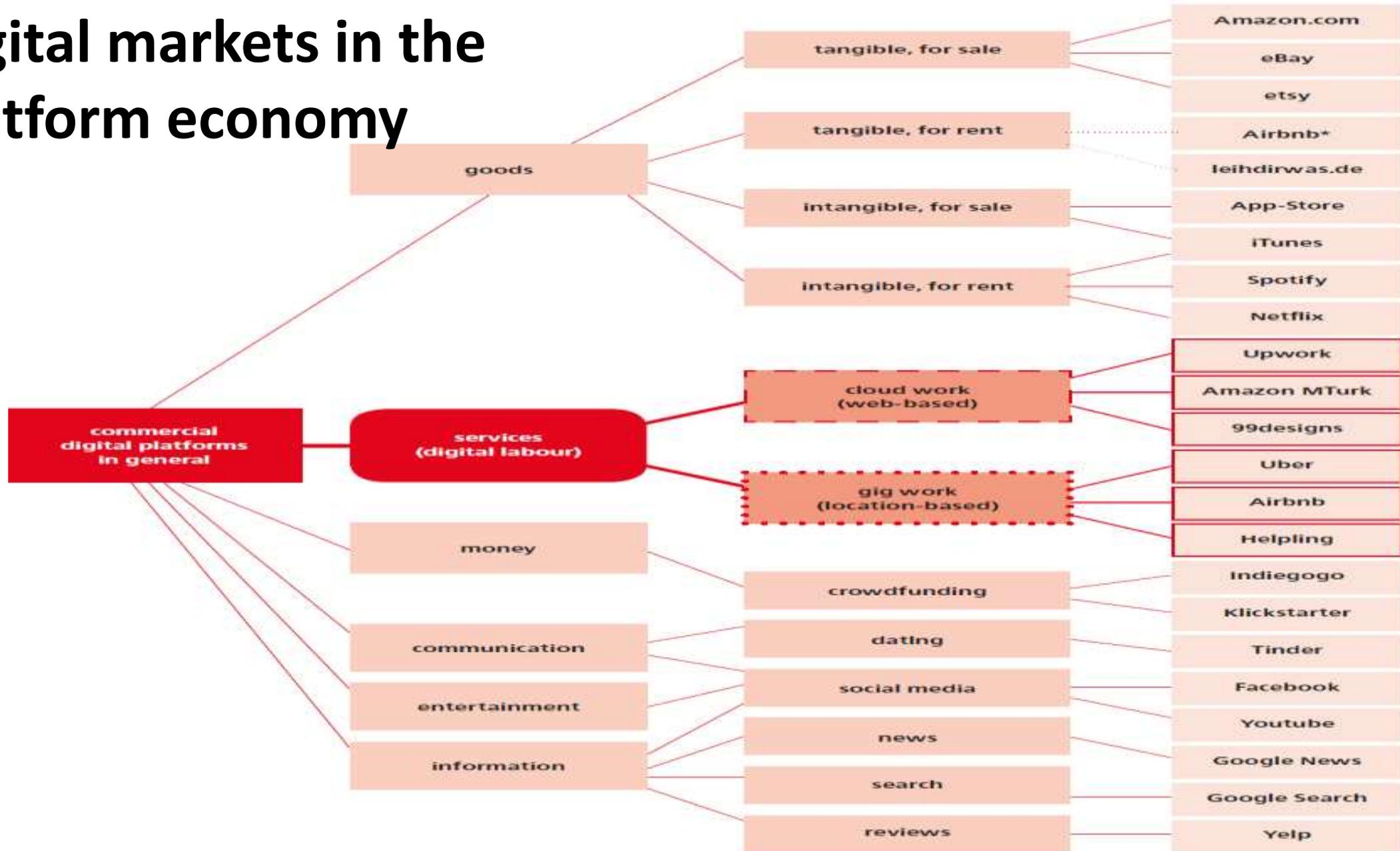


Premature De-industrialization? Relationship between employment share in industry and GDP per capita (over time, countries are specializing less in industry and de-industrializing earlier). Source: Amirapu and Subramaniam (2015:15)

# Digital workers and the platform/gig economy

- Digital workers - paid or un-paid workers producing digital goods or services (Heeks 2017)
- The platform economy broadly characterized as follows (Schmidt, 2017):
  - (a) consists of online marketplaces that involve at least three parties
  - (b) platform provider serves as an intermediary coordinating supply and demand sides of the other two parties
  - (c) role as intermediary role allows the platform provider to shift most of the costs, risks and liabilities to the other two parties

# Digital markets in the platform economy

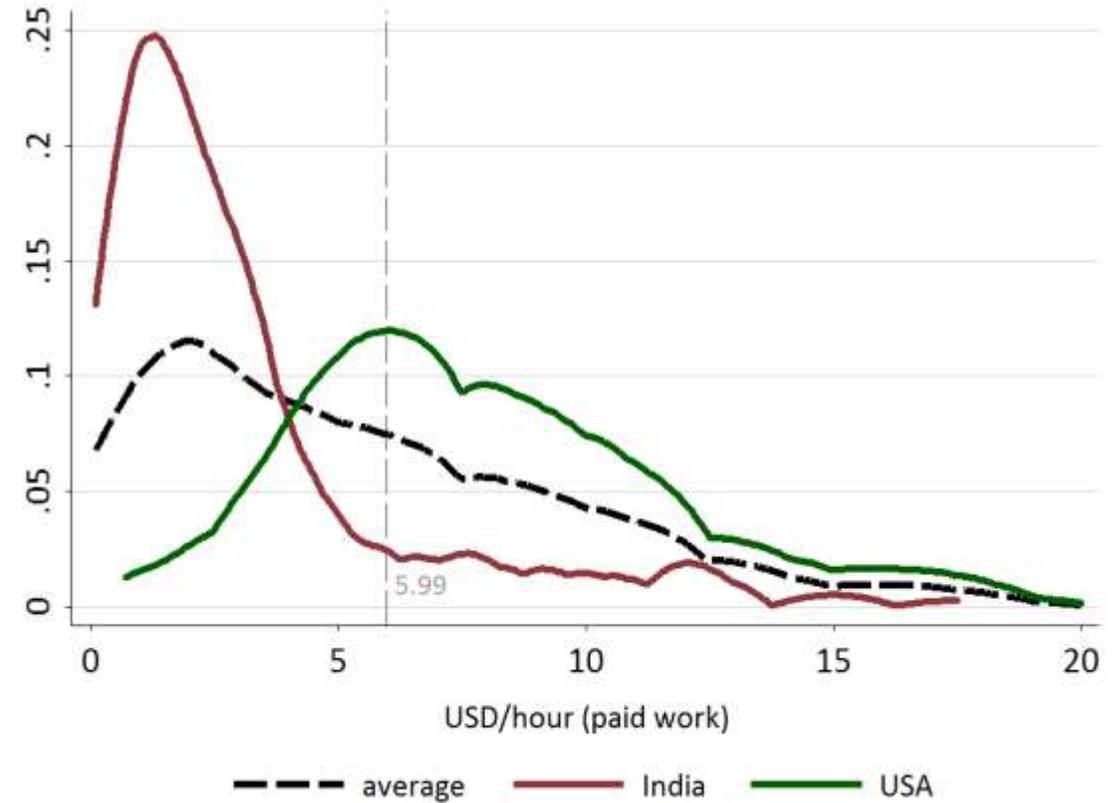
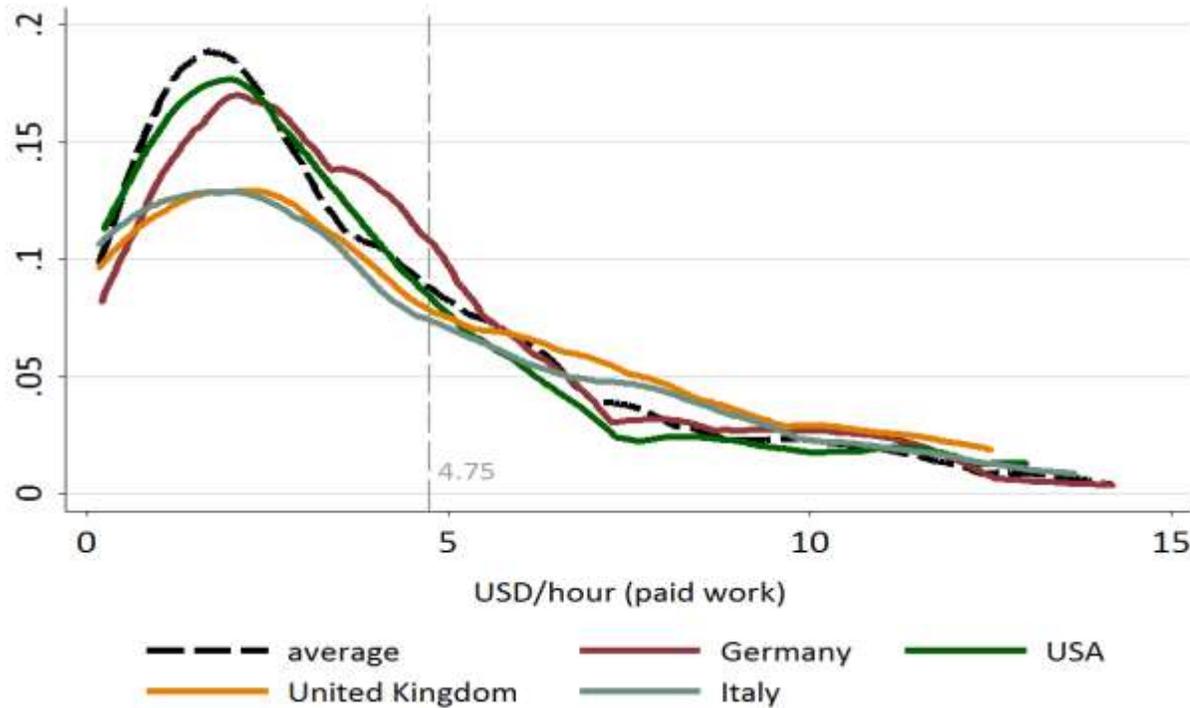


# Some concerns with the platform economy

- precarity of the employment contract – especially with vast ‘reserve army’ of informal labour
- challenge of subsequent reskilling or ‘upskilling’ limited by information asymmetries due to which knowledge of the end goal of micro work or fragmented tasks
- atomization of labor force makes enumeration and sustained collective bargaining difficult
- with the spread of ICTs makes it difficult to track and guide the nature and terms of entry of ‘independent contractors’ into the international division of labour

# Variations in digital labour in the platform/gig economy

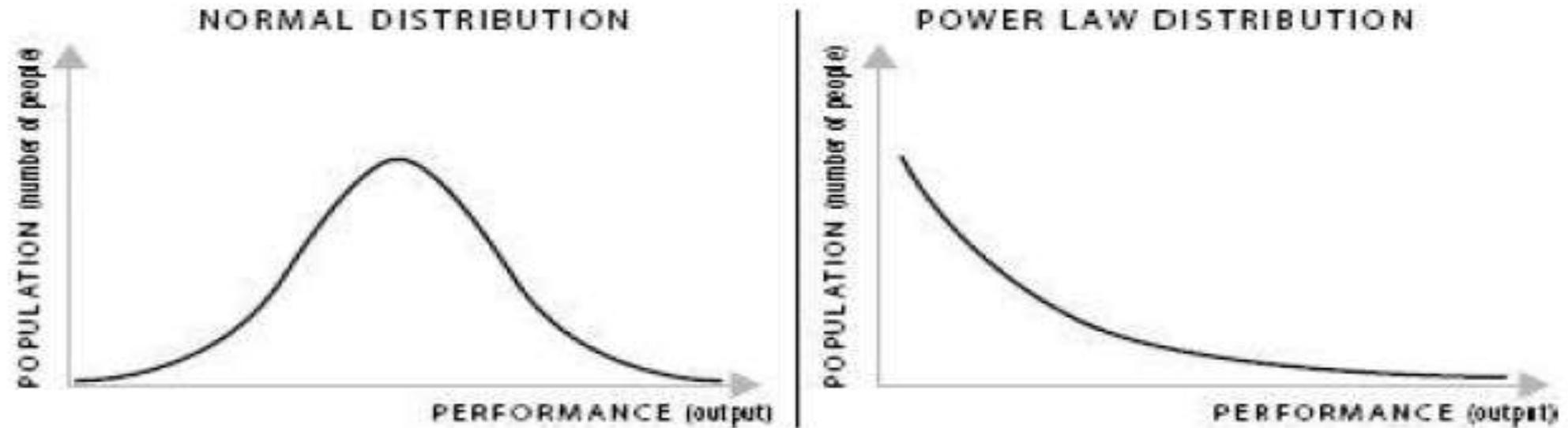
(pay differences and skewed distribution across countries and platform)



Amazon Mechanical Turk

# Winner-take-all tendency of the digital economy

FIGURE 10.1



A winner take all market

Source: Brynjolfsson and Mc Afee (2014:91)

# The globalization of production vis-à-vis the platform/gig economy

- 1970s and 1980s - outsourcing of manufacturing from advanced industrial countries to emerging economies, facilitated by better means of communication, and global regulatory changes, to create a “new international division of labour” (NIDL)
- critiques characterized the NIDL as ‘bloody Taylorisation’ with repetitive, fragmented, dead-end jobs that demanded low-skills and offered little more than low-wages
- efforts at collective bargaining for higher wages and other benefits, or other production costs imposed by the state, with tighter labor standards, would be countered by threats from foreign capital to relocate elsewhere.
- similarly, the fragmentation of production and the information asymmetry about the production process or end product would significantly constrain upskilling

# Mitigating the worst of the globalization of production

- portraying the lack of agency among local actors confronted by power of global capital at best limited as developmental states, especially in East Asia, countered these arguments to transform their position in global value chains by:
  - (a) improving provision of key public goods (especially physical and educational infrastructure) to meet demands of new production frontiers
  - (b) encouraging indigenous capital with a combination of carrots/sticks – easy access to finance and new technologies, tariff protection in domestic market in exchange for export performance.
  - (c) social welfare schemes – in Singapore and Hong Kong – providing public housing for a high % of population
- placing the burden of explanation for offshoring on the exploitation of low-wage, low-skilled labor, unduly emphasizes absolute surplus extraction, whereas relative surplus extraction through technical innovation is the “general basis for accumulation in the capitalist mode of production” and consequently, “....relocation can be seen as a specific response which arises in circumstances when there are major obstacles to increasing relative surplus value” (Jenkins, 1984:43).

# History repeats itself: The globalization of ICT services

- since the 1990s, especially with the arrival of the internet, India (a non-entity in the globalization of manufacturing) became an unlikely destination for software outsourcing and, from the 2000s for BPO too.
- despite the relatively high skills of engineers deployed to write software, In the early 1990s, however, critiques of relatively low-wage “software “coolies” doing “mere coding” with little awareness of the goals of the software system being built.
- threats, especially with fall of the Berlin wall, from ex-Communist countries with excellent technically skilled labor also commonly cited
- despite such predictions India managed to “upskill” and diversify its output to become the world’s largest software exporter; exporting US\$118 billion by 2015-16, commanding 55% of the global ICT services outsourcing market, with a reputation for quality

# The role of the state in India's ICT service exports

- an explanation for India's ICT services growth is found at least partially in state action; software the first sector freed from an autarkic model of import substitution industrialization which had made India a laggard in comparison to East Asia (Parthasarathy, 2010)
- besides withdrawing, the state actively initiated policy changes from the 1980s to ease access to new hardware/software, establish relevant data communication infrastructure combined with tax incentives in the form of Software Technology Parks, and, of course, building a pool of skilled labour
- finally, the state never directly got into production as in other sectors, but worked with a new entrepreneurial class that was socially distinct from the older industrial class

# The limited developmentalism of the Indian state

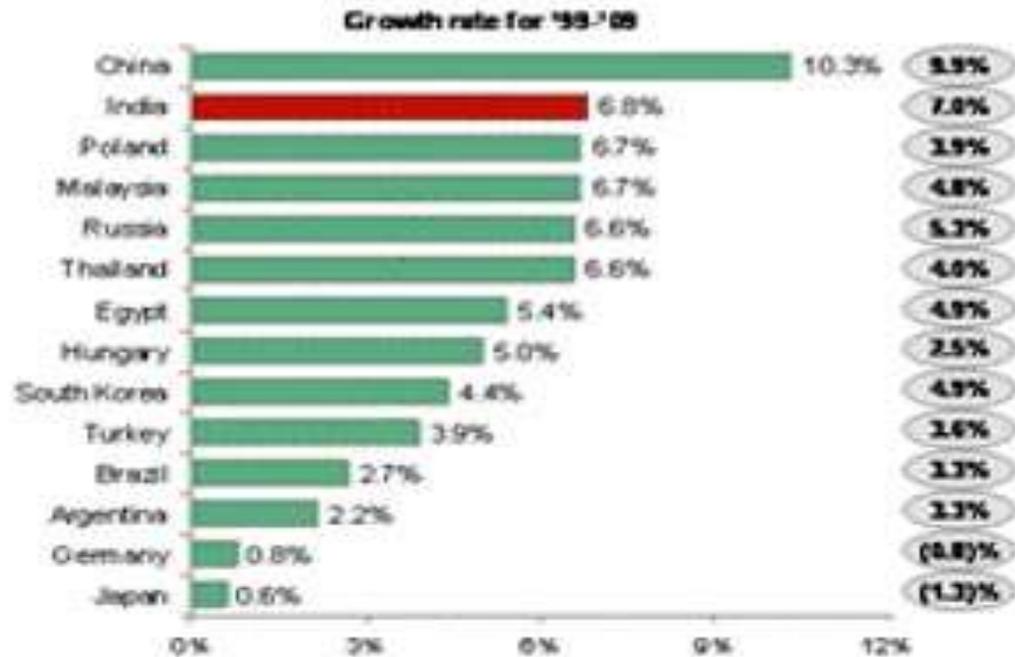
- yet, the size of the ICT services exports has meant no more than 4 million employed directly, and an estimated 10 million multiplier effect in tasks such as catering/security/transport services and in urban construction
- India's rapid economic growth over the past two decades, with more liberal economic policies, is spread unevenly, with most gains going to those who are connected to export sectors;
- in 2000, richest 10%, and the next 40% of Indians, earned 40% each of national income; by 2014, the share of the richest 10% > 50%, while that of the next 40% < 30%. The top 1% also captured 22%, more than the bottom 50% (Economist, 2018)

# Low contribution of manufacturing to GDP in India

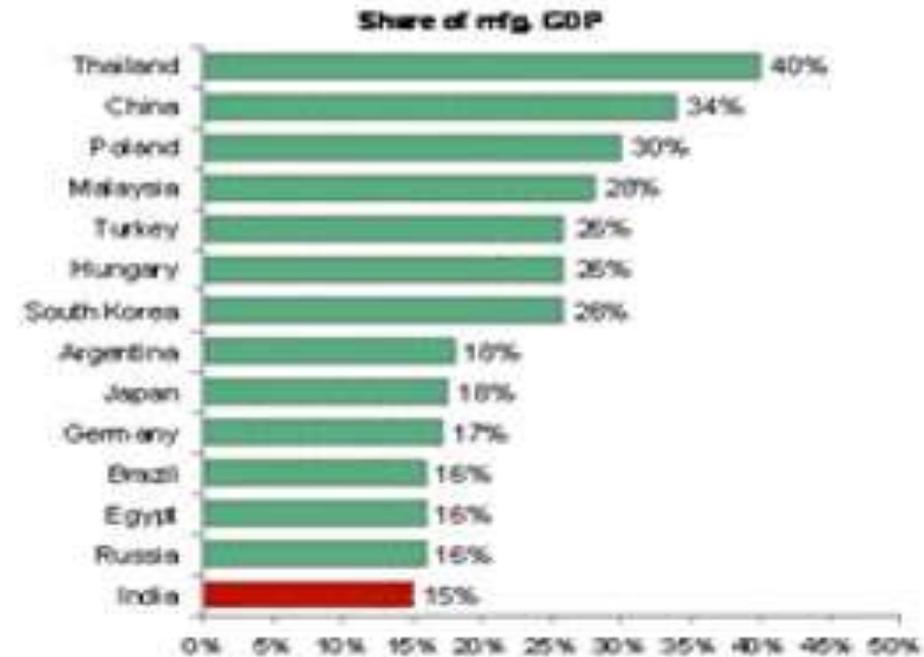
## Contribution of manufacturing to GDP very low in India

Manufacturing needs to grow at higher than GDP growth to capture better share of GDP

### Manufacturing GDP growth for most countries higher than GDP growth



### Share of manufacturing GDP in India is low at ~15% when compared to other economies



# Local institutional barriers to doing business

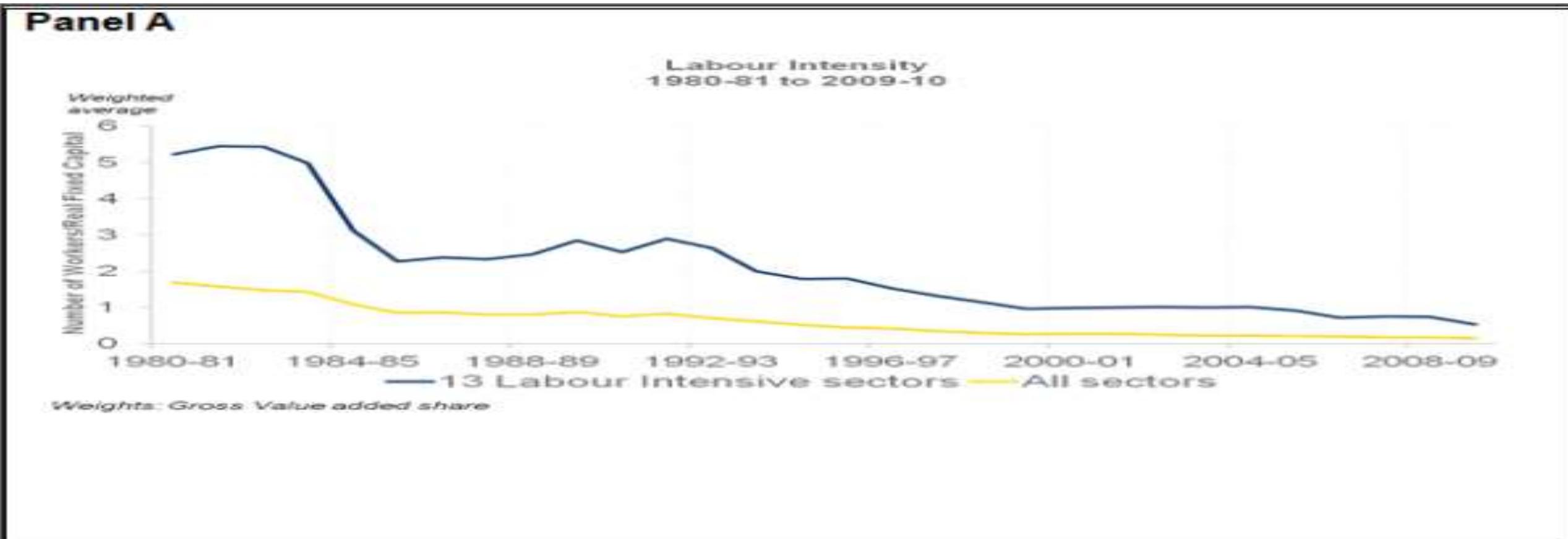
## Comparing ease of doing business in India

(as of 1 June 2017, across 190 countries)

<b>Aggregate rank</b>	<b>100</b>
Starting a business	156
Dealing with construction permits	181
Registering property	154
Getting electricity	29
Getting credit	29
Paying taxes	119
Trading across borders	146
Enforcing contracts	164
Resolving insolvency	103
Protecting minority investors	8

Source: World Bank (2018)

# Declining labour intensity in manufacturing



- liberalization of the trade brought down price of capital goods while real wages, increased thus incentivizing machines to invest in capital goods over labour
- labour laws disincentivized firms in organized sector to hire formal labour on a permanent basis, leading to growing informalization in manufacturing

# High levels of informalization

2004-2005	Organized Sector		Unorganized Sector		Total
	Formal	Informal	Formal	Informal	
<b>Agriculture</b>	0.76	0.99	0	56.75	58.5
<b>Manufacturing</b>	1.21	2.1	0.1	8.83	11.73
<b>Non-manufacturing</b>	0.53	1.45	0	4.42	6.41
<b>Services</b>	4.48	1.89	0.19	16.8	23.36
<b>Total</b>	6.98	6.43	0.29	86.3	100
<b>2011-2012</b>					
<b>Agriculture</b>	0.06	0.16	0	48.69	48.9
<b>Manufacturing</b>	1.48	2.79	0.06	8.28	12.6
<b>Non-manufacturing</b>	0.69	3.77	0.01	7.18	11.65
<b>Services</b>	5.62	2.72	0.22	18.29	26.84
<b>Total</b>	7.84	9.43	0.29	82.43	100

Source: Srija and Shirke (2017)

# Motivations for rise of digital labour – a synopsis

- limited local job and entrepreneurial opportunities
- declining labour intensity in manufacturing and growing informality i.e. limited opportunities and precarity in the local economy
- a general shift towards services (contribution to GDP at constant prices grew from 50.4% in 2000-2001 to 59.57% in 2012-2013)
- greater penetration of the internet allows those with limited to no employment opportunity to pursue alternatives – especially in the better rewarding export sector

# Possible developmental approaches in the platform/gig economy

- in the variegated world of digital labour, the work conditions and practices of those employed by place based intermediaries (whether software developers working for ICT firms, or cab drivers for Uber), are easier to regulate
- for those seeking online opportunity, which gives better immediate economic returns than local ones, the state could improve access to infrastructure, and educational /vocational opportunities to ensure that new skills are learned to enhance the share of value is captured by individuals
- simultaneously, in countries like India, need for more flexible labour markets to encourage the growth of local alternatives to individual work on digital platforms
- alternatively, possibility of a Basic Minimum Income to provides a degree of social security in employment situations characterized by precarity

Thank you!

Comments and suggestions for further  
questions/research welcome