

# Globalization, outsourcing, and wage inequality



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America's middle class is slowly dwindling away due to their current economic policies. Globalization is one of the economic processes that systematic intertwines the world's economy. American borders are being replaced by virtual walls globally, due to methods like outsourcing. Outsourcing is a practiced by contracting with international companies, to do jobs, and/or services that were typically performed domestically. The results from outsourcing and globalization create conditions for wage inequality to increase the gap between skilled and unskilled workers.

Corporations, entrepreneurs, and large businesses that use outsourcing should be penalized by federal laws and placed in the highest tax bracket possible. Although, outsourcing reduces corporate expenditures, it equally diminishes the quality of life for the American middle class. Globalization is the practice of trading goods and services, throughout the free world market with little limitations on entrepreneurs. Businesses are allowed to communicate across borders, travel, and create networks without boundaries.

Globalization has brought a lower cost of goods and services to consumers and increase competition across domestic and foreign producers. Globalization also provides a larger variety of available products and services for consumers everywhere. The evidence of globalizations can be seen everywhere, like discount stores, supermarkets, advertisements and even within your homes. According to Krueger (2010) " Shelves are stocked with items bearing stickers proclaiming " made in China" while one looks, almost in vain for anything labeled " made in America" (p. 5). The advancement in technology has created the opportunity for globalization to be within reach,

of all entrepreneurs. Technology has moved the traditional workplace from a physical structure to a border less with enhancements that continue to change daily.

These advancements are forcing America to compete in a rapid economic change. Krochan, Locke, Osterman, and Piore (2001) say “ the recent changes in the world of work have undermined the principles America was built on. America's economic no longer is relatively self-contained or independent as a nation; it is embedded in the global economy, and America's industry now operates under the constant pressure of foreign competition. ” (p. 8). The old assumption was that United States economic system is relatively self-contained and immune from foreign competition and capable of sustaining standardize wages and work conditions across various industries, that theory no longer applies. The flip side of globalization and free trade has hurt America with problems like trade deficits because they import more than they export.

An Example of this is the United States' unfavorable balance of trade with China. The United States imports approximately 10 to 15 times more products than China from the US. When you multiply the import difference by billions of dollars, the United States loses. Corsi (2009) said that “ the United States has experienced a largely negative balance of trading under free trade agreements, in the range of \$700 billion a year” (p. 2). China is also the largest foreign buyer of U. S. Treasury debt.

America current policies on free-trade are bad and needs to be reform for fair-trade policies. Another area of globalization is the development in the healthcare facilities in countries outside the United States. Companies are

promoting hospital services and providing routine healthcare treatments to Americans, in foreign countries. In other words, Americans must travel outside the United States to receive cheaper healthcare service and/or procedures. Not to mention, the exchange of medical information between countries, and how secure is that?

Globalization has also bred corruption in its mere existence as well as in the modifications and reform policies. Today is a lack of laws, rules and regulations that prevent special interest groups, and corrupt politicians from receiving preferential treatment or benefits at the expense of the America workforce. Corsi, (2009) claims that “ globalize seeking to create a “ one-world economy” and as a consequence, a “ one-world government” intended to proceed incrementally, one step at a time, relying on deception and misdirection to keep the US public from fully appreciating their intentions” (p. ).

Large corporations and big businesses create offshore multinational businesses and use places like Cayman Islands as tax havens to avoid the United States tax structure. Brittain-Catlin (2005) says “ Citigroup, the global banking firm, had \$1. 3 billion free up for “ indefinite” investment, permitting it, legally, to avoid paying \$399 million in U. S. federal income tax” (p. 43). Outsourcing in America has become a major problem, not only for the working middle class, but the future of Americas' economy.

American companies that engaged in outsourcing of skill service jobs overseas, reduce the quality of life for the middle-class workers. America's government must regulate businesses to limit the amount of jobs; they can outsource, in order to protect America’s jobs and currency. Businesses are

subconsciously sending a message, that they have no confidence in America's workforce. Locke, Osterman, and Piore (2001) said it this way, "Americans value work as a source of dignity and self-fulfillment and put a higher premium on freedom of expression and equality of opportunity to achieve individual aspirations and full potential at work" (p. 1).

The days of company loyalty and good performance would be an exchange for increase wages, promotions and employment security, has been dismantled, forever. Outsourcing causes many families to be displaced as a result of lost jobs. In some cases, the jobs that are lost are lost forever. The service sector industry is being transformed by jobs deploying to India and China at a fraction of the cost US employees are making.

According to Krueger (2010) claims that " High-tech firms such as IBM are now outsourcing software programs to India, and medical centers are relying on Indian doctors to process data, to say nothing of the loss of America's call centers" (p. 41). The danger is the endless cycle of eliminating jobs leaves no career or individual safe from being partially outsourced to totally eliminated. Businesses should have a responsibility to balance the effects of outsourcing against the decline of America's GDP (Gross Domestic Product). America's educational system has lagged behind other countries, especially in math and science areas of study.

Outsourcing has hurt the vision of future generations to excell in higher education. Hira and Hira (2005) said that " Once we lose the high-tech jobs, then why would our most capable minds study engineering, computer science, biotechnology or any other promising fields that will create national competitiveness in the future? (p. 8). The United States need their

technology innovation to stay ahead and to maintain their superiority as a superpower nation. Outsourcing not only affects United States jobs but increases threats to the nation's security.

Their national security depends on the future engineers, computer science majors and entrepreneurs like Silicon Valley in California. The world is faced with a global threat of terrorism, but the terrorist number one focus, is the United States. Terrorists are increasing their technical knowledge, back carrying out more sophisticated attacks with the newer weapons, available on the black market. Outsourcing compounds the threat of identity theft by exposing medical and tax information to overseas companies, data is entrusted to process billing records.

In the past 10 years, they have seen a steady decline in jobs cause by outsourcing, which has far-reaching effects, especially on the quality of life. Outsource jobs in an effort to reduce or meet budgets, also reduced income structures through the lost of city, state and federal taxes. Those taxes help reduce the cost of education, healthcare, state infrastructures and social security services for their elderly. The consistent lost of wages, taxes, and jobs, will eventually eliminate the middle class, in the United States (Garfinkle 2006).

Businesses that outsource should not have any benefit or incentives from America's tax structure. American must know that, until more laws are established by the government, the unemployment rate will continue to climb into the double digits. Another major problem with outsourcing is the supply chain which often put companies at risk by missing deadlines. Businesses that miss deadlines and projected delivery dates will cost the

corporations financially and possibly damaged their reputation. A lot of companies don't have the management skills or strategies to properly manage the risk involved with outsourcing large parts of projects.

For example, McDonald said “ the delivery of the Boeing 787 dream liner has had “ project delays and huge problems” resulting in millions of dollars of contract penalties. A large part of the problem was that Boeing outsourced much of the project but didn't efficiently manage the risk. (McDonald 2010). Outsourcing has its place in the global economy, but not in America. Businesses that do outsource must have enforceable penalties on those corporate perpetrators. Government must do a better job in creating policies to regulate outsourcing and/or provide higher incentives for companies that keep jobs in America.

According to Krueger (2010) “ CNN anchor Lou Dobbs, there is a war on the middle class that is being carried out by their elected officials’ pre-2006” (p. 38). Back in the old days there were a disparity between rich and poor and very few jobs were available, especially for the unskilled worker. As a result of outsourcing United States businesses must deal with an increased level of cheaper competition from low-wage countries. Competition affects the demand on labor and difference skills types. America will be forced to shift employment toward a more skilled work force.

If America continues on its current path, they are done to repeat history. Wage inequality has and continues to increase the gap between skilled and unskilled workers. Corporation environments have changed. Physical structures and buildings have been replaced with virtual walls. Corporations are focused more on core disciplines instead of functional processes that

were traditionally performed in-house. The justification for wage inequality in corporate America, is the need to make more profit, while their employee wages are being pushed down to minimum wage levels and in some cases below.

Technology and level of education have been an excuse for corporate America to separating the skilled from unskilled workers (Alperovitz 2005). International trade also increased the gap between skilled and un-skilled workers due to various processes, like outsourcing, product-sharing, sub-contracting are the methods employed by transnational corporations. Third World and other developing countries have placed a higher emphasis on technology and skill technical jobs but lacked the institutions that protect the low-wage workers' rights and working conditions.

If organizations like WTO (World Trade Organization) would create legislation, allowing labor to be organized and establish unions, wage levels would rise in developing countries, thereby creating fair competition. Third World Countries don't have unions to address worker rights or the conditions they are faced to work in. Big businesses are trying to deunionize America in an effort to permanently increase the gap in wage inequality. The automobile industry along with the unions paid middle class salaries to their employees.

Unions in America are the ladder to a middle-class lifestyle and acceptable work conditions. There are waging disparities between hourly and salary workers as well as workers with a college degree versus a non-college degree employee. Corporations like Wal-Mart and Disney are examples of businesses that have unfair wage scales. These corporations pay their labor



force minimum to low wages and in most cases little to no benefits. Wal-Mart is a very successful company that records enormous profits that are not passed down to their workforce.

Most employees for these companies are labor driven who don't even make a decent living wage. In order for employees to make a fair wage, they must be connected to a computer or some type of sophisticated technology. For the unskilled workers, their wages will continue to come down as long as outsourcing is an option. Wage inequality even exists in the US economic trade markets. For example, when United States trades with poor countries, the unskilled worker in the United States decrease in wage earnings and raises the pay in the poor country with the same unskilled type worker.

Especially when the developing countries had a vast pool of unemployed unskilled workers, there is an unequal distribution of work allowing the majority to produce cheaper goods and services. Globalization in America creates trade and production patterns, the demand for skilled labor increases while the unskilled workers are pushed farther down the wage scale. The United States government must continue to increase the real minimum wage because the economy hurts the low-wage workers.

Occasionally, the United States cost of living rises and minimum wage are not proportional to the rise that adds to the separation of wage inequality. The real effect of wage inequality in America is measured by the level of income, often regarded as an important aspect of fairness (Swonk 2003). The higher levels of income may also afford a particular social level of acceptance and comfort. Whereas, the lower wage earners are viewed as

less important, under educated, lazy and not socially accepted, and in most cases not fairly treated or given due process.

In concluding, advancement in technology has moved the workforce from labor base to a more efficient and higher-skilled workforce. The technological environment creates the opportunity for corporate America, to outsource jobs, companies, goods and services overseas. The American dream allows any business to make a profit, but the greed to make record breaking profit, due to outsourcing, shows no loyalty to the American working class. The result of outsourcing has forced many Americans to except low-paying jobs to try and keep food on the table and a roof over their heads.

With the erosion of unions, the voice of labor is diminishing and ultimately, eliminating the middle class. American should return to the days where workers were shareholders as well as employees and corporations' valued employees' loyalty. There must be a balance between corporations bottom-line and employee's quality of life. America can be saved by being creative, and possibly leading the way with clean energy and green technology. United States has the technology to produce better products for global consumption.

The United States receives no benefit, when products are made overseas and shipped there with inferior quality. America's government must stop the outsourcing of jobs to other countries, in order to protect America's jobs and currency. Globalization has created a trade deficit instead a fair trade. Outsourcing has no benefit for America. The gap in wage inequality must be reduced in order for a society to experience the once great American dream.

People travel to United States by any means necessary to experience the American dream and that dream must include the middle-class.

People are important, their jobs, hopes and dreams matter, and in order for America to return to the greatest country it once was must return to their founding principles, about “ We the people” and forming a more perfect union for the betterment of social welfare. Families are hurting and America is suffering. Difficult times are here. The United States of America do not have a communistic or socialistic government, and without a middle-class in their society, Americans would be reduced to a society of “ haves” and “ have not’s”. Change has to come, and it must be soon in order for America to recover, or it too will be outsourced as a country.