

# [Globalisation effect on unemployment and economy economics essay](https://assignbuster.com/globalisation-effect-on-unemployment-and-economy-economics-essay/)

The ever growing impact of Globalization highly supported by the technological innovations on the global market, created new approach and understanding in the labour market.

The restructuring of economic and corporate systems resulted of dismantling the traditional institutions, organizations and social protection, paving the way to further insecurity in jobs i. e. incomes for the exerted human power, not only in poor the countries, but in the rich and developed countries as well.

The global competition among the corporations, the raise of the number of world inhabitants, technological contribution on production and services, moreover; the global economic issues, led to immense pressure on employers to adopt more flexible, non-standard labour policies with more and growing unwarranted work arrangements.

To sustain in these turbulent waters, is the game of adaptation to the ever evolving social and economic uncontrollable macro environment. Since the old and new theory “ Survival of the fittest” is still the most accurate, the only way for both employers and the employees to reach a win-win situation is through finding the perfect common denominator, through which an employee will secure his life and the employer his business.

The right balance between the opportunities and threats will be by captivating advantages of opportunities and trying to avoid the threats. As an employer or employee, to survive this never-ending game, the opportunities are there to be seized.

Through rapid changes and adaptations, common denominators can be innovated.

The emergence and the impact of Globalization

Technology’s contribution

The 21st century is guided by a new era in enterprise’s ongoing quest for increasing profit through a significant competitive advantage over the rivals. For the first time in history, we can now claim to live in “ One World”. Globalization has removed many of the gaps that have existed between and among nations. While the physical divide is still present, the impact of the Information Highway on how we communicate and live in the present day is simply staggering. Through globalization, cultural exchange is now open and dynamic. Economies have also been merged, with the economic life of an Asian country affecting other nations in other parts of the world, and vice versa. Rapid improvements in information technology have allowed us to exchange information and communicate almost everywhere, anywhere, and anytime. The nature of business and how it is done had also improved by leaps and bounds all because of globalization.

MNCs as tools for globalization

Since technology is the main driving force of globalization, MNCs struggled heard to monopolize it. From the invention of the machines, then the aviation industry to the invention of the internet they all served as means for dominance. Just the nature of the tool varied from the hard to the soft power.

The symbols of the modern soft means i. e. IMF, WB, internet, language, International business laws and regulations, WTO etc. are the humble servants of the Economic and Financial might of MNCs. These facts led the Big Brands to be the synonym of globalization.

The global markets and the labour force

These breakthroughs in communication have revolutionized business, commerce, and even the personal lives and relationships of millions of people.

Indeed, globalization has produced a new age of connectivity in culture, society, economy, social life, technology, and politics. Globalization, as a general term, is best understood as the spread of ideas about the environment, democracy, human rights, and less complicated issues like fashion and fads. The mass marketing of computers and the wide availability of Internet services have brought many parts of the world together, as if we are all rush on a single pattern or web of daily life. Countries today do not just export raw materials or the usual projects. Global exchange is now taking place as the market of ideas, manpower recruiting through the use of technology.

Because of the electronic media, vast amounts of important personal information can reach any parts of the globe in no time. Business establishments, whether big or small, are using the Internet in many ways to build or expand their company’s recruitment system through their website or through mediators. With the ever improving technology, new labour markets blossom, high demand for cheap labour, and also greater competition. Making investments in information and communication technology is now a must for any business enterprise.

Globalization and the Internet have created many advantages for organizations around the world. This advantage can be utilized while avoiding many business or geographical obstacles by using Internet properly.

Employment and globalization

For many, globalization is equated with economic interdependence. At the dawn of the 21st century, the scale and magnitude of global economic interaction appears to be unprecedented. The volume of capital flows far exceeds that of the past. The developing world, too, have increasingly become a part of global trade and capital flows. Contemporary patterns of economic globalization suggest the emergence of a new international division of labour. In short, the world has reached a stage in which one can meaningfully refer to one global economy.

The question is whether globalization processes have reduced or exacerbated wealth inequalities within developed countries and developing ones. While markets will produce winners and losers, liberals argue that the openness accompanying globalization will benefit all. Others see the potential to produce widening disparities. The short answer is that the effect of globalization has been both positive and negative and is dependent on a range of domestic and international factors. Extensive evidence also exists to support the claim that economic interdependence is related to more peaceful relations. States, for example, that trade more with each other are less likely to go to war. The direction of the cause is less clear, however. In other words, does greater trade lead to peace or does peace lead to greater trade? The greater ties from interdependence have been argued to lead to both greater cooperation and conflict. The relationship is, in fact, most likely nonlinear.

Variations of the working methods and the Human Recourses

Competitive advantage and the competitors

Competitive advantage can come in one or combination of the following factors where labour force has very significant role in almost every one of them:

Price,

Experience, service,

Quality,

Location,

Customer service oriented.

The better your business performs against one of these factors, the more likely you are to succeed.

Being the low cost provider of a good or service can be a quick path to gaining more business or market share than your competitors. The more efficient firm’s labour force is the more are the chances to compete in this category. Certainly a firm will need a lower labour, materials or overhead cost, because an organization may find that their competitors are willing to cut prices in response. After all no one can expect that a competitor will let the rival take their customers away without a fight. So if an organization is willing to go down this path it would be better to be certain that they truly do have lower costs, supported mainly by low paid employers or specially arranged non-standard forms of employment.

Service can also be serious differentiator and competitive advantage. If a firm can respond quicker, get it done quicker, or get there sooner, customers may prefer it over the competitors even though it costs them more. Yet; these maneuvers heavily rely on well experienced dynamic workforce who will create the much needed differentiation alongside the existing processes and the procedures.

Quality is important in almost every industry. Customers do not like to pay good money for work that has to soon be redone or have to purchase a new unit that fails prematurely. Most products are somewhere in between the super and bad quality and the astute business person will seek to produce the highest quality within his means. This detail is also highly related to the workforce and its ability to create quality business with the least cost possible. Over the long term producing higher quality is almost always less expensive as organizations don’t have to deal with as many returns, or as much scrap, or rework.

Location can also be a competitive differentiator. If a firm best suitable location in town, then people will have buy from you unless they are willing to drive longer distances to get it. Getting the goods or the services to the customers by certain delivery employees is a kind of location based selling. Prices might be higher than normal but not so high that people refuse to buy. If firm’s distant service competitors charge for travel time, other things being equal, organizations can charge more money but not so much more that it pays the customer to use competitor’s products or services.

Customer Service base can also be a competitive advantage. Something is highly related to the employees and their attitudes towards the customers, even if this will cost the firms the cost of training and developing such employees. So what if you are a little more costly, or even a little slower? Most people hate change. The prospect of needing to invest the time and energy to build the necessary trust with one of firm’s competitors can be a real deterrent.

We live in a changing world. New competitors with better products or service arrive on the scene almost daily. When demand for firm’s product or service slacks or increases, it is highly related to the workforce. It is true that the overhead cost, product quality and the price has their significant role, yet the core of these will remain the workforce who are the most significant determines of organization’s competitiveness.

Standard employment and Nonstandard form of employment.

Nonstandard form of employment is usually defined in negative terms in contrast to so-called standard employment. It is, a category that includes relatively varied forms of employment, and these need to be explicitly differentiated in a detailed analysis.

The standard employment terms are more or less the same in different countries, moreover they are identical in most common markets like the GCC, organizations do not utilize any part time employees as per the GCC labour law, an employee can only work and operate in companies that sponsor work permitresidency. However companies extend the service of special consultants that work on projects basis.

The standard employment is mainly characterized by the following features:

Full-time employment with an income sufficient for survival,

Permanent employment contract,

Integration into the social security system (particularly health and pension plan),

Work relationship and employment relationship clarified,

Employees subject to direction by the employer.

For the functioning of the labour market it is significant that compared with typical forms of employment, whatever their differences, increases the potential flexibility of businesses and, to some extent also of the employees concerned.

Nonstandard form of employment deviates from in terms of at least one of the standard criteria:

Part-time work, with regular weekly working hours less than under regular contractual level and pay reduced accordingly.

Marginal employment, which represents a specific variety of part-time work defined in terms of payment below a certain level.

Mini jobs, employees are paid according to hours of service they’ve exerted. Limitation of weekly working hours to a maximum amount has been abolished.

Fee basis/freelancers, based on experience, internships.

Agency work, which is different from all other forms because of the tripartite relationship between the employee, the agency and the company hiring the worker. This peculiarity results in a differentiation between the employment relationship (between the agency and the employee) and the work relationship (between the company and the employee).

Self-employment is intended to replace the traditional freelancer category (for example lawyers or doctors even merchandisers), It is not always easy to differentiate between employment and self-employment as the lines between the two can be rather fluid.

The workforce and the employment market

Individual features can appear in combination form – thus, for example, agency workers or part-time workers can at the same time have a fixed-term employment contract. The constant and the obvious are the ever growing bargaining power of the employers due to vast amount of labour supplied and the scarcity of jobs offered. The fearful part is the gap that is steadily and constantly growing between the two. Among many reasons these points could shed the light upon the most significant:

Population growth.

Production industry is shrinking worldwide except for China and Germany.

World economic crisis.

Technology

Urbanism

These major macro aspects are among the most significant factors that are widening the gap among the employers and the employees resulting in high unemployment rates. Moreover; they are creating new unconventional means of employment which usually benefit the employer.

Future of Non-standard forms of employment

The profiles of a typical forms of employment not only generate the above problems during an individual’s working life (above all in terms of income, employability and employment stability), but also creates significant long-term problems in terms of social security.

The consequences go beyond the labour market and affect individuals’ post-work lives, with a considerable impact on social security, especially pensions. In welfare states, such systems are very much focused on working life and strictly linked to the criteria of standard employment (financed through contributions of employers and employees and based on the principle of equivalence). Analysis of the resulting social problems renders the traditionally strict demarcation between labour market and social policy obsolete.

Any approach to reform requires integrated solutions. The accumulation of social risks means that, compared to people in standard employment, those in a non-standard employment are more likely to be only on low wages (due to advanced age) and are therefore more often in receipt of governmental or social organizations welfare.

The analysis of macro environment as for the organization

The macro environment of the organization is the uncontrollable part of external forces that might affect the vision and the strategy of any organization. The macro environmental elements which mainly consist of Political, Economic, and Social, Technological, Environmental and Legal (PESTEL) aspects and forces might affect the organization either positively or negatively in the growth era of non-standard forms of employment. The positive effects will be considered as opportunities and the negative ones as threats.

Opportunities:

The non-standard form of employment will open the doors for the new blood from the same or totally new workforce market to pour in the organization; this will bring in the new knowledge, new ideas and innovations a new and dynamic approach to the conducted business. The result of flexible working hours will add efficiency to the production and the outcome since the old boring 9 to 5 system does not exist in the non-standard form of employment.

The twenty-first century’s organizations are shifting from communality to diversity to increase dynamism and innovative thinking system among the employees. The high level of shifting hours where lot of employees will leave the job at certain hours and come back later on wouldn’t be achieved if advanced IT systems and software didn’t exist, since it’s almost impossible to calculate the total working hours of each employee and calculate the payments accordingly.

This whole flexible workforce structure will reduce the labour cost of the organization. For example, instead of paying overtime for working during the night, replace those employees with another who can and willing to work at nightshifts. Furthermore, the organization will save vast amounts of retirement pension funds which will remove a heavy burden from the company’s shoulders. The reduction of the labour cost will provide a major competitive advantage for the organization which will lead the competitors to adopt the same strategy.

New Strategy, new blood, new technical and IT know how, along with talented educated dynamism from both sexes and innovations that they will add to the organization will be considered as major opportunities for any given organization, especially when they’ll have an weaponless army of employees not registered in any form of labour unions etc. since they are not the conventional (standard) form of employees.

Threats

The non-standard form of employment will spread quickly due to the competition among the rivals; this will result to certain instability in the economy and therefore economical fluctuations. These facts will lead to inevitable inflation to the economic system resulting raise in wages (working hours honorary), therefore rise in rents and expenses so the sequence of the vicious circle will be inevitable, backfiring on the organization in itself.

Laws and regulations plus the labour unions who will lobby against the non-standard form of unemployment will be considered a major threat for an organization where in most countries especially in the GCC countries the employment should be on the standard basis, since any employee will be registered under the name of a specific “ kafeel” (Guarantor: could be the organization or the name of the business owner) and where very strict universal and local laws are imposed on the employers especially what concerns the human rights or juveniles related issues.

The most threatening fact will be the employee high turnover rates within the organization which will result mainly of knowledge loss i. e. losing knowledge out of companies, moreover; increased turnover triggers diminished effectiveness in corporations. High turnovers will cost companies large amounts of money to recruit new ones (Advertising, mediating agencies, the time for hundreds CVs screenings, selecting, interviewing etc.) while retaining employees through incentives and trainings will cost much less. Such means can be used to cut attrition and increase retention numbers. Working hard at keeping employees through learning and development, retention and persistency rates, an organization not only will cut attrition, but also they’ll build a priceless vault of knowledge and loyalty towards the organization.

Synopsis:

Opportunities

Threats

New workforce market

Cheap labour

Competitive advantage

More effective production

New blood, new know how

Diversity

Technology and IT

Experience / Know how

Strategic Imperative (must)

High / selected competencies

Flexible working hours

No Labour unions / home restrictions

Gender balance (if applicable)

Production and incentives

No retirement / pension problems

No aging workforce

Inflation

Raise of wages

Rents and inflation

Social issues

Political issues

War

Economic crisis

Laws and regulation

Shared knowledge and experience

Less loyal employees

Money based relationship

Labour unions

Human rights / juvenile

Reputation

Very high labour turnover rate

The analysis of macro environment as for the individual

The fact of the rise of non-standard forms of employment is considered to be at the macro environmental level of the individual where the uncontrollable several external forces are affecting the plans and life of any person. As discussed previously, the macro environmental elements which mainly consist of Political, Economic, and Social, Technological, Environmental and Legal (PESTEL) aspects and forces might affect the individual either positively or negatively. The positive effects will be considered as opportunities and the negative ones as threats.

Opportunities:

The non-standard forms of employment will open new horizons as for the individual where he or she might find a chance of being hired to a certain job or position that wasn’t handy before, the odds are bigger since the constant change in the workforce at any given organization will increase the probability of job vacancies.

Mostly in the underdeveloped countries and due to high levels of unemployment, chances of being hired are scarce and where nepotism and interventions are the only recruiting factors, individuals find fairness and equal chances for being hired through non-standard forms of employment.

Usually when hired by non-standard forms of employment higher (per hour compensation) than fixed wages are expected even if the paid amount is considered cheap labour (effective) as for the hiring organization. The real challenge will be extending as much as possible the hours of being hired.

Flexible hours will create the chance and the opportunity for the employee to be able to pursue another interest during or after the traditional 9 to 5 working hours. An employee could continue his / her education at the university, or pursue even higher education if possible. Time flexibility will allow the employees to spend more hours with their families or look after a hobby they like.

Technology is considered an opportunity for many employees where the job could be accomplished without or by minimum physical presence at the office. Thanks to the technology virtual offices can easily be setup among employees hundreds of kilometers apart.

Even traveling to host/home countries for short period of time is possible due to active, dynamic and low cost communication means. Any task could be accomplished within two days for example and the employee could return to his office and continue the job after a while. This would have never accomplished if there wasn’t this technological breakthrough.

One of the most annoying aspects for the new recruits especially for the fresh graduates is obtaining experience, mainly where there are high unemployment rates and starting a career is a hard task to be achieved. With non-standard forms of employment, chances will be granted for the fresh graduates to acquire working experience even for short period of time. This will allow them to look for the next vacancy empowered with a certain experience they’ve acquired, levering their chanced to be reemployed.

It is obvious that being involved and living with active job demands will increase the standard of living for any individual and his/her family. The higher the income generated will be resulted in higher spending due the high potential of the disposable income. Furthermore with the help of non-standard form of employment the employee might have the chance of being promoted and he/she might be invited on the same basis to operate on the other outlets due to the expending strategies that their organization might adopt, or be invited to help a franchisee to inaugurate certain tasks.

Non-standard form of employment offers variety of experiences to the employees due to the fact that they will experience several types of carriers during their productive life span. The versatility acquired by the employees will increase the chances of being rehired since the adaptive attitude that they’ll foster will be considered added value to the new recruiting organization.

Threats

The most dominant threat as for the non-standard form of employment will be the retirement where the dynamism of youth will diminish gradually and the chances of being employed will decease. This will add immense pressure on the individual therefore the society will be effected and eventually the state.

The constant fear of the absence of safe and steady income will push the employee to a certain austerity measures on his/her spending, therefore consumers spending index will decrease resulting a standstill or slowing the market’s normal cycle, which in itself will create a hassle in the marketplace resulting in more job cuts. Furthermore countries economical system is balanced upon the spending power of the population backed by the banking system through micro or medium loans. These loans are hypothecary i. e. based on certain guarantee to the bank, which in most of the cases are, the fixed salaries presented to the banks through certain documents which are approved by their organization.

Technology and new machinery are spreading like the fire in the woods; this will affect the job market resulting raise in the unemployment figures, especially for low competency based positions. Uncertainty, lack of income and unconventional working hours will surly affects the lifestyle of any individual especially on those who have a family. On the long run such occurrences will have its devastating consequences on the social structure of that country, which in itself will backfire of the whole economy.

Any kind of riots or wars will result a total standstill of the income in case of non-standard form of employment due to the fact that is based on the hours spent in job.

The greed of employers could lead to exploitation of the employees by several means. One of the most famous among them is the so called trial period, where the employee agrees to be testes on job for an unpaid certain period of time. The result could be the extension of this period or the employer keeps testing employers for two moths then another employee for another two months and so on. This whole non-standard system will definitely alter the unemployment rates where lots of people will be considered as employed, which in fact they are not.

The frequent change of the employees due to the fact that they can be easily substituted will result in total change in organization’s values and personnel attitudes where the factor of loyalty will be considered an obsolete theory.

Synopsis:

Opportunities

Threats

New Job opportunities

Equal and fairness

Higher per hour / wages

More flexibility / freedom

Technology/ Communication means

Transport and low cost airlines

Learning curve and experience

Constant demand of new recruits

Career path in various organizations

Raise the standard of living

Franchising, expansion

Versatile employee

Retirement and pension

No more safe and continues Income

Technology new machinery

Cultural identity

Family issues

War and riots

Exploitation / misuse

Unemployment real figures

Values and attitudes

Easily substituted

Conclusion

The global turbulent economy affected widely by the globalization factors and theories, sharpened the competition reducing the profit margins.

Moreover, because of the greater employment risk and/or the short periods of employment involved, when they lose their jobs. The differences between agency workers and those in standard employment are particularly striking, with the exception of those on marginal wages. After getting job-less approximately one agency worker in two receives the lower Type 2 unemployment benefit, whereas the figure is only one in seven in the reference group. The main reason for this drastic difference is the fact that the previous period of employment subject to compulsory social insurance was not of sufficient duration. In addition, any claim to Type 2 unemployment benefit presupposes that savings above a certain threshold are first used for the purpose of subsistence. In these circumstances the greater degree of individual responsibility for old age provisions demanded of employees becomes unfeasible.

What is relevant in the long term in both individual and collective terms is the insufficient integration of such individuals into the pension insurance system. The low levels of contributions made as a result of long periods of part-time work or an entire working career spent on mini-jobs – but also unemployment after the expiration of fixed-term jobs – results in individuals only having a claim to pension benefits that are inadequate for subsistence purposes. The changes that have occurred in types of employment increase the risk of poverty in old age for the individuals concerned. For years, this issue was regarded as having been solved in Germany, but it could re-emerge in the future unless appropriate measures are taken. And from a collective point of view, the necessary top-up transfer payments represent a considerable drain on public budgets and bring with them the risk of gradual erosion of the basis for contributions.