

# The effects of globalization of the labor market research paper

[Business](#), [Marketing](#)



## **Introduction**

Globalization has led to the improvement of human lives and the development of many economies. The effects of globalization can be felt in the economy's sectors, as well as the social and political lives of human beings around the world. The labor market has been positively and negatively affected by globalization. It is essential to comprehend the effects of globalization on the labor market since the earnings from the labor market form the main source of income for many people around the world. This is especially in the developing world where there are few entrepreneurs and hence high dependency ratio. The affected people are usually poor workers, who do not have ownership rights to material assets.

## **Positive effects of globalization**

Globalization has been responsible for many desirable outcomes on the labor market. This positive impact is created as a result of a series of globalization activities in the developed and developing countries.

## **Creation of employment**

Globalization has benefited many people in the developing and developed nations. The creation of employment has come about as a result of multinational enterprises moving to developing countries to invest. As these companies expand, they require extra labor force in the new countries they invest in. This has led to the creation of millions of employment opportunities for both skilled and unskilled people in the developing world. The developed world has also benefited in that most of the skilled individuals in the

multinational enterprises have had chances to grow in their careers paths by taking up management roles in subsidiaries abroad.

Globalization has created increased capacity in the developing economies to accommodate many employees. This step has been beneficial to the labor market because it has created a vibrant environment where the capital and labor proportions in the economy are optimal in developing countries there is greater labor force compared to the capital levels invested. This limits the creation of employment opportunities hence; there are high chances of price distortions in the capital and labor markets.

### **Increased wages**

Globalization has helped improve the labor market through the increase of wages and other benefits to employees. Globalization has led to multinational companies investing in countries abroad. Each company abroad has laws. Many countries have developed laws to ensure employees are protected from exploitation by employers, especially multinational corporations employers. The government helps clear protect employees in the labor market by setting wage ceilings and minimums to help balance the amount earned by employees. The junior employees benefit the most because the wage minimums limit employers from underpaying employees.

### **Effective trade unions**

Globalization has also enlightened people all over the world about the importance of using trade unions to bargain for good working conditions. Developing countries have experienced an increase in the number of trade unions as workers for multinational corporations try to align themselves for

collective bargains. This has led to increased efficiency in the labor market. Employees have good working environments. Moreover, employees are paid good wages hence; there are few labor market inefficiencies.

### **Secondary employment**

Globalization has benefited the labor market indirectly. When multinational corporations invest in countries abroad, they create indirect unemployment through the demands of the corporation. These corporations demand products such as technology material. The employment is created in the export import mechanisms, the transportation sector, and other sectors of the economy. This has helped diversify the labor market in developing and developed nations hence; there is a high efficiency in the market.

### **Negative impacts of globalization**

Globalization has negatively influenced the labor markets in different ways. This could be as a result of technological developments or nature of work and hidden unemployment among others.

### **Reduced demand for manual labor**

Globalization has led to many employers preferring large scale production of goods and services. This has necessitated the employers to embrace technological developments because using manual labor on a large scale is too costly. As a result, many jobs have been lost, especially the unskilled labor jobs. The employers are using machinery to replace human labor hence; demand for these jobs is quite low. Therefore, only highly skilled employers are employed, leaving a significant number of people jobless.

## **Hidden unemployment**

This occurs when no new job opportunities are created in the economy. This also causes a reduction in the real wage rates in the developing nations. As countries embrace globalization, there is a need to embrace new technologies too. However, when the economies cannot match the new technology with the globalization rate, there is a chance that hidden unemployment will occur. When there are no new employment opportunities in the economy, the labor market is distorted. The employers start paying employees poorly because the labor supply exceeds labor demand. There will also be undercutting, where some potential employees offer to be paid fewer wages than required in order to get the job ahead of other qualified employees.

## **Child labor**

Globalization has led to the creation of many jobs in developing nations. However, in labor intensive companies such as the horticultural and tea or coffee harvesting companies, there have been reported increases in incidents of child labor. In case the World Trade Organization enforces all labor clauses, these companies will lose most of their labor force. The impact will be quite detrimental on the developing economies due to the revenue that will be lost.

## **Poor distribution of benefits**

Globalization has led to inequality in the distribution of benefits. Most of the trade liberalization gains are received by manufacturing countries while agricultural based economies will be the biggest losers. This simply means

the developed nations gain more from globalization than the developing nations. There is a need to create a balance in the globalization process so that the benefits from global activities benefit workers in both developed and developing countries.

## **Structural adjustments**

Globalization is a capitalistic idea where privatization is used to increase efficiency in organizations. As globalization spreads through the world, the privatized organizations and companies adjust from public to private entities. The adjustment comes along with many labor market problems. Many privatized entities try to streamline their labor force by laying off employees hence; it creates unemployment. There is also low labor demand as most organizations try to adopt new technologies and employ machinery in labor intensive activities.

## **Conclusion**

Therefore, globalization has revolutionized the labor markets all over the world. The impact has been both positive and negative. Globalization has created direct and indirect employment, increased efficiency in labor markets and improved the livelihood of people all over the world. However, it has also led to loss of jobs, labor inefficiencies and structural changes in the labor market. Globalization remains a significant contribution to the thriving, efficient and expanding labor market in the world.

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