

# Summarize how currency exchange and labor rates impact trade

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downturn in global economy dealt a great blow in the outsourcing of jobs as it put managers managers in a trance on whether to outsource in order to reduce costs, or to in-source in order to consolidate costs. Outsourcing is the practice of giving out some duties of the company to another firm to handle professionally on its behalf, usually in order to reduce costs of production.

Most companies in the United States usually outsource their jobs to overseas subsidiaries which offer low labor cost as well as provide tax havens for the multinational corporations, hence an assured profit. However, with the global meltdown of the economy, it became more expensive as well as uncertain for these companies to outsource their businesses for fear of incurring more losses, therefore further crushing the economies that relied almost heavily on the outsourcing business, such as India and China (Ito, 1996).

Human capital refers to the collection of knowledge, competencies, personality and social attributes inclusive of creativity providing an individual the ability to perform labor and as a result produce an economic value. As such, globalization of human capital is in reference to the fact that these factors acquired a global perspective. Furthermore, the emergence of new technologies advance the nature of human capital even the more. Some of the global trends of human capital currently observed in most economies include adoption of technology to handle most, if not all of the business problems encountered on a daily basis. This means that technology is far replacing traditional trends of human capital. More work is digitalized and as such, providing more efficiency as well as convenience in handling of tasks

(Stucka, 2004).

#### References

Ito, T. (1996). Exchange Rate Movements and their Impact on Trade and Investment in the APEC Region. Washington DC: International Monetary Fund.

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