

Why money chases cheap labor

[Business](#)



The “ Outsourcing Phenomenon’ in the Context of America’s Employment Glut Summary The article “ Why Money Chases Cheap Labor - The Outsourcing Phenomenon” consisted of three parts. Firstly, it stressed the reason behind the “ outsourcing phenomenon” – the capacity to compete through tighter reign over operational costs. According to Di Stefano, “ capital, the resource that fuels our industries, has to seek the lowest labor costs in order for companies to survive” (“ Why Money Chases Cheap Labor,” Lower Costs sect.). The second part of the article takes the reader to the loci of cheap labor. While America’s own cheap labor was situated in the southern states, Asian countries, such as Japan, Taiwan, South Korea, China, and India, were picking up slowly in the cheap labor market (Di Stefano, “ Why Money Chases Cheap Labor “). The third and last section of the article stimulates the future of American firms and employment with its section titled as “ Where Are We Headed?” The writer then answers his own question by pointing out that while “ America obviously cannot compete effectively with the labor costs of developing nations,” competition then lies to America’s technology and science sectors (Di Stefano, “ Why Money Chases Cheap Labor”). International Business Issues Outsourcing is considered an international business issue. In fact, its impacts are subject to steamy debates and multi-perspective arguments, which inevitably make it a sensitive issue for the host and headquartered country. Outsourcing sensitivity lies on the border of the gain on the host country and the consequent loss in the headquartered country. While there are significant savings in outsourcing, the rate of unemployment of the headquartered country, which formerly employed its co-located workforce, rapidly increases. Significant savings were then necessary for companies (mostly <https://assignbuster.com/why-money-chases-cheap-labor/>

American firms) to survive the onslaught of the global twin crises – the economic and financial crises. However, the pain goes to show when the onslaught is perceived as ‘over,’ and firms still employ their outsourcing measure. Outsourcing, which was the most practical method of survival and deemed ‘temporary,’ became a permanent and long-term operational goal among international firms. In the light of this article’s emphasis on cheap labor, outsourcing can be considered as a symptom of a bigger problem. It is recognizable that the firms’ direction towards cheaper labor is a sufficient manifestation of its aversion to labor and environmental regulations (Hill 31). Indeed, while there are countries loose-fitting their labor laws to attract foreign investments and boost economic growth, competitive firms mobilized by such cheap labor market will continue to increase. While this is good for the host country’s economy and employment, it is not ultimately good for the host workers. Yet because of the lack of equal working opportunities, this type of workers became willing to work and be paid cheap for their high-cost skills. Moreover, the idled workers of the former headquartered country – in this case, America – suffer most and significantly add themselves in the statistics of the unemployed or underemployed. Impacts The impacts of outsourcing are characteristically two-fold. While it improves the lives of opportunity-impooverished Asian countries, outsourcing diminishes the value of America’s workforce. Outsourcing leaves American workers with down-graded options: to continue to seek for employment according to their entitled benefits and salaries, which is for the time being impossible, or under-sell their skills (just like what host workers are doing). Moreover, this outsourcing phenomenon does not improve the labor and environmental laws of the host countries; instead, outsourcing encourages countries to

<https://assignbuster.com/why-money-chases-cheap-labor/>

lower the set minimum wage, and ignore improvements in worker's benefits, insurance, or other expensive incentive packages. While cheap labor is fostered in these Asian countries, investment is poured on utility developments such as in the transportation, communication, and technology sectors. While opportunities are pouring down in host countries, American workers are sinking in the unemployment glut. Outsourcing phenomenon started to choke America's manufacturing workers; at present, its grasp has extended to the service sector, particularly the call centers. Application Evidently, in the advent of outsourcing effects on manufacturing workers, the impending extension of outsourcing to the service sector is not yet considered conceivable. If it were otherwise, America should protect itself against this employment onslaught. However, everything is very much dependent on how American firms respond to competition. Evidently, the necessity for survival through the global crisis has pushed American firms towards that 'labor breach and patriotic treachery.' Some international management procedures that may be employed involve the re-evaluation of America's competitive edge – be it technology or science – and integrate it in the context of human capital. Importantly, American firms should be fully committed to not just providing products or delivering services competitively, but also to improving the lives of America's workforce. Works Cited Di Stefano, Theodore F. "Why Money Chases Cheap Labor - The Outsourcing Phenomenon." TechNewsWorld. ECT News Network, 3 Feb. 2006. Web. 14 Feb. 2012. . Hill, Charles W. L. International Business: Competing in the Global Marketplace. 8th ed. New York: McGraw-Hill/Irwin, 2011. Print.