

Labor force effect on international business

Business



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I. Background

In most businesses, one of the primary components of production or service expenses is labor cost. Thus, the labor market has a substantial impact on determining the bottomline of companies. This paper discusses the effects of the labor force on international business in relation to prevailing wages and globalization trend.

II. Discussion

As one of the main factors of production, labor affects business entities in terms of wage levels. In various countries, the government mandates a minimum wage level which sets the floor price corresponding to the salary due to regular employees. With this, the labor market affects businesses in terms of the wages that employers have to pay. In most cases, wage constitutes a substantial portion of the total production cost of companies. As such, businesses find myriad ways and means in order to reduce labor cost for enhancing their viability.

Another way by which labor affects international business is through workers' skills. Especially in the modern times, human resource is considered as one of the most valuable assets of a company. This is because it is the employees of the company that possess the skills and expertise required for the efficient completion of production and other business functions. In this regard, the skill level of labor employed by companies is one of the key ingredients to ensure organizational success.

With the advent of globalization, labor becomes a central issue in light of prevailing wage and skill levels. Given the technological advancements, <https://assignbuster.com/labor-force-effect-on-international-business/>

employers have found a way to tap the global labor market (Tristan, 2003). Multinational corporations have benefited from the use of modern ways of communication, like electronic mail and video conferencing, to rationalize their labor factor. With the high-tech gadgets, they have taken advantage of highly-skilled and less expensive labor force available in other countries. For example, given that wage levels set in the United States is relatively higher than that of developing countries, US-based companies can opt to relocate operations and hire workers from these countries to save on labor cost. In view of this trend, global labor force has become more competitive as more and more workers, regardless of their location, vie for the same positions. Furthermore, labor force has become increasingly mobile nowadays. Highly-skilled workers from less-developed nations tend to migrate to developed countries in order to take advantage of relatively higher wage levels. With this, companies benefit from hiring these workers because they could be contracted at a lower salary, thus reducing employers' labor cost.

III. Conclusion

In view of the above, it can be clearly seen how labor in terms of wage and skills affects international businesses. The trends of globalization and migration have generally benefited international businesses in such a way that they have found efficient means to streamline labor cost and hire workers whose skills are in line with their needs and requirements. On the other hand, workers are given an impetus to improve their skills and hone their expertise for them to maintain their competitive edge in the international market. They are driven to undergo further training and education to enhance their skills and technical know-how.

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Cited Work

Tristan, David. (2003). The Emerging Global Labor Market. Texas Labor Market Review, July 2003.