# Impact of Globalization on Trade and Employment

## Abstract

This paper presents the benefits and drawbacks experienced in trade and employment sector as a result of globalization. The study highlights the general understanding of globalization and how it impacts trade and labor in the local, regional and international platforms. Moreover, a few economic theories and instances are used to explain globalization and its effects. The discussion part of this paper gives a detailed elaboration on the benefits and detriments of globalization on trade and employment. Some of the impacts discussed in details in the paper are on income disparity, market accessibility, employment dynamics, the world economy, national integrity, and impact on scientific market research. Lastly, the paper concludes by highlighting the key points and offers opinion and recommendations.

## Introduction

Globalization is defined as an integrative phenomenon that takes a global social, political, economic and cultural perspective that everyone needs to adapt to. The dynamic phenomena in globalization cut across state boundaries and result in increased integration and interdependence. According to O'Rourke and Williamson (2010), Globalization is the integration of global commodity markets. This is because it is characterized by two elements that have an intense impact on the labor market. The first element of globalization is the increased movement of final services and goods (trade) regionally. The second is the increased production input, that is, capital, labor, and technology. There are other aspects of globalization such as in education, social interaction, et cetera. However, this paper restricts our discussion to economic globalization. Economic globalization aims at globalizing trade (capital, labor, goods and services production) and increasing technological knowhow between national economies to allow efficient flow of capital, labor, goods or services.

There have been profound changes associated with globalization in the labor market. For instance, the market records changes in the structure and level of labor demand, employment elasticity, relative wages and skill shortages. These dynamics have implications for employment and worker's welfare, thereby, necessitating the study of globalization impacts. First, we shall consider how economic globalization might impact occupation or employment. Second, we shall consider how globalization affects local and global trade (Hamdi, 2013).

## Impact of Economic Globalization on Employment

The following are some of the effects of globalization on various employment aspects:

### Impact on Employment Level and Composition

Economic globalization tends to correspond more closely to relative advantage of the country. The sectoral shares change in different ways depending on the country's human resource and natural endowments, degree of domestic economy exposure to global competition, and technological and infrastructure capabilities (O'Rourke and Williamson, 2010). In countries with highly developed economies, globalization result in more opportunities for encouraging capital outflows and industries experience reduced share in manufacturing activities because production shifts to overseas markets at off-shore locations to look for better markets at lower costs. In this case, cheap imports from low-income economies flood highly developed wage economies' markets, therefore, terminating unskilled jobs (Lall, 2004).

The influx of industries from highly developed economies' market into developing countries offers an avenue for employment of skilled workers in most sectors. However, technological improvements increase technologies in the domestic companies and upcoming businesses. This technological embracement lessens the need for unskilled workers, therefore, unemployment rise in such sectors. Without any infrastructure to train the unemployed to cope up with the globalized economy, the country's social services may become strained while trying to maintain the new underclass.

### Impacts on Jobs Structure

Economic globalization may affect jobs structures in some ways. With globalization, there are some jobs that are likely to disappear while others are created as a result of changing market specialization patterns and industrial competitive advantages. This employment impact may be viewed as complex because jobs structure may change due to either economic globalization or technological progress.

### Impacts on Research and Development (R&D) Jobs

R&D jobs are often of strategic significance for national economies since they are always linked to innovation. Economic globalization in developing countries causes an opposite trend in R&D jobs (Lall, 2004). Looking at it, on one hand, there are businesses that move their R&D engagements abroad to allow participants get closer to significant markets or benefit from skills more readily accessible in some high economies' countries (Lee & Vivarelli, 2004). Otherwise, there are also some businesses in low wage economy countries transferring their production activities to high wage economy countries for the purpose of allowing them to focus on R&D engagements at home.

### Impact on Job Earning

Economic globalization can impact job earnings by either increasing the general economic efficiency or by nurturing fostering trade factors. Increased economic efficiency due to productivity increases income that by extension is shared with the employment income. On the other hand, products and production factors may eventually equalize the price differences between states, including the cost of labor, such as job earnings (Lall, 2004). The two views above are substantial at the global level. Due to globalization, job earnings are seen to be steadily improving in developing countries, consequently narrowing the workforce earning gap at international level (Lee & Vivarelli, 2004). However, at the same time, considering the least and the best-qualified workers within a developing country, the employment compensation gap continuously widen as a result of globalization.

### Impact on Employment Conditions

In addition to obvious factors like labor costs, employment conditions are part of economic competition. For instance, longer working duration, lower safety necessity, and a prohibition on trade unions may attract international enterprises as well as spur offshoring. This may consequently have an impact on employment conditions in the offshoring source countries, regarding working hours as recently seen in the EU countries (Lall, 2004). Also, specialization patterns changed due to economic globalization as well as technological progress, for example, more service-oriented economies may have impacts on employment conditions that may not always be clear.

## Employment Migration

Economic globalization has led to migration of employment from one national boundary to another. Approximately 30% of migrations across nations and continents, for OECD countries, are linked to labor, which is as a result of economic globalization. Labor migrations are directly boosted by regional agreements liberalizing peoples' movements (Hamdi, 2013). This is enhanced by changing specialization patterns, and developing multinational enterprises that allow moving workforce to, from and between the affiliated countries. With improved infrastructure (transport and communication) as a catalyst, globalization has led to significant outflows and inflows of workers, ultimately affecting global labor markets in one way or another. According to Hamdi (2013), in developed nations, migrations is seen to ease labor shortage, and at the same time offering a solution to the aging population. However, in developing countries employee's migration may lead to a brain drain (Hamdi, 2013).

## Impact of Economic Globalization on Trade

### Efficient Markets

Economic globalization has led to market efficiency, what every economy looks forward to. This is signified by the presence of equilibrium between what the sellers are willing to sell for a service or a good and what a buyer is willing to pay for the same good or service. According to Hamdi (2013), globalization has improved production through outsourcing of necessary services and goods on some discounts, thereby, affordable selling price which steers demand and affordability.

### Access to New Markets

Globalization has led to enhanced free trades between countries. Free inter-boundary trades are considered as the largest benefits to the growing economies. Local industries benefit from freer trade since they have ease in accessing much broader international markets (Hamdi, 2013). The generated growth allows various companies to innovate new technologies to produce innovative products and services.

For developing nations, globalization offer governments' access to foreign lending. The funds are used to improve infrastructure, including transportation and communication media. Improved infrastructure as a result of globalization has improved communication and transportation which are essential in the flow of goods and services, trade.

### Economic Growth

Dealing with various countries due to globalization increase enhances trading, and ultimately economic growth, and solution to poverty due to increased living standards. In the past, trade barriers hindered most countries, especially, the developing countries to tap on the world's economic advantage (Hamdi, 2013). The developing countries could not share in the same economic growth that the developed economies had. With globalization; however, the international management and the World Bank brought radical market reforms through large loans. Moreover, trade was enhanced when developed countries began to invest in the developing countries.

### Good Relations

Globalization resulted to good relations, an important factor in international trade. Good relations enhance trade between the parties involved. Jobs have been created for the poor and equality enhanced across the world. Most countries depend on each other for industrial development, marketing, and exportation as well as importation of goods and services.

Thirlwall (2013) states that developing countries rely on developed countries for technology and resource flow. However, the developed countries rely on developing nations for raw materials, the market for industrial productions, and food and oil. Due to globalization, goods and services are easily transported since free trade between countries has been improved, with decreased war possibility. Communication growth between companies and individuals in the world has helped to enhance free trade, consequently economic growth (Hamdi, 2013). However, globalization has many trades and economic advantages in the developing countries than in developed countries.

## Disadvantages of Economic Globalization

There are also disadvantages that have resulted due to globalization. In developing countries, it has led to inequality between the poor and the rich since the benefits are never universal. There is a common phrase that 'the rich get richer and the poor become poorer.' Regardless of the benefits of globalization, many developing countries still lag behind. Many African countries still suffer from high poverty rates (Carr & Chen, 2002). Only countries like India and China have grown faster and become richer in the past two decades. Nevertheless, the rural regions of these two countries similarly record high poverty rate on a global scale.

The establishment of industries and companies by the industrialized nations in the developing countries takes advantage of the low wage economies and causes massive pollution in most of these countries which have weak environmental regulations (Carr & Chen, 2002). Furthermore, setting companies and increasing technological know-how in the developing countries have been seen to affect their economies and even increase unemployment. Globalization increases hidden unemployment because of the absence of new job openings and loss of wage rates in developing economies that have challenges in adapting to new technologies (Carr & Chen, 2002). Technological developments have reduced the demand for unskilled labor. In developing countries, the technological improvement due to globalization may only favor highly specialized workers, who are often few. Also, globalization only has trade liberation benefits by manufacturing-producing countries, whereas the smallest share goes to the agricultural producing nations.

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