IMPACT OF GLOBALIZATION ON HUMAN RESOURCE MANAGEMENT

Prof. (Dr.) Pranav Singh
Director, Rama University, Kanpur

Prof. (Dr.) Manish Dhingra
Dean (R & D), Rama University, Kanpur

Prof. (Dr.) Vaishali Dhingra
Dean (Faculty of Commerce and Management), Rama University, Kanpur

Abstract

Globalization has a major impact on the management of human resources in developing countries. It has led to homogenization and convergence in organization strategies, structures and processes as well as in even in the management of human resources. Globalization has led to changes in organization design and organization structures are leaner thus improving efficiency but having a negative impact on staff numbers which have had to be reduced. This means employees have been retrenched in many sectors like telecommunications, the Railways and the public service sectors in order for those organizations to gain competitive advantage. Reward management systems have changed and even the human resources planning strategy is to have a leaner staff in the core areas and to hire part time workers in a bid to reduce costs and to enable the business to run profitably efficiently. The non –core jobs have been outsourced which has led to an increase in independent contractors to service industries. However, the homogeneity that results from globalization has had a major effect in developing countries because of brain drain. Globalization can therefore be said to have had phenomenal impact on a developing economy.

Keywords- Organization design, Organization structure, Developing economy, HR planning strategy.

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Globalization means the processes that reduce barriers among countries (Frenkel & Peetz, 1998). The procedures in globalization have been accomplished through foreign direct investment (outward FDI) or stock investment by foreigners (inward FDI). Consequently, the mobility between countries in order to firm performance has focused to financial flow rather than labor force. At the same time, a new managerial change such as the growth of foreigner's stock own and establishment of subsidiary in host country affects on employer's business strategy and employment relations, including individual employees and trade unions (Bonfenbrenner, 2000; Slaugter, 2007). Why? To access the specific needs of foreign investors, firms emphasize often on their productivity improvement. Also, one of most considerable point is labor cost when firm go abroad for expansion in market.

Thus, globalization has enhanced competition, and the previous studies paid attention to the relationship between globalization and employment relations under competitive perspectives (Chaykowski & Giles, 1998; Frenkel & Peetz, 1998; Cooke, 2007; Ham & Kleiner, 2007). Globalization was defined by Giddens (1990) as the 'intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring miles away and vice versa'. This definition embodies some interrelated ideas, of "accelerating interdependence" (Ohmae, 1989), of "action at a distance" (Giddens, 1990) and of "time–space compression" (Harvey, 1989).

'Accelerating interdependence' is understood to be the growing intensity of international enmeshment among national economies and societies, such that developments in one country impacts directly on another country. 'Time space compression' refers to the manner in which globalization appears to shrink geographical distance and time. In a world of near instantaneous communication, distance and time no longer seem to be major constraints on patterns of human organization and interaction (Held, McGraw, Goldbat and Perraton, 1999).

Globalization is leading to homogenization and convergence in organizations' strategies, structures and processes and in consumer choice, along with a new global division of labor that widens the income gap between the 'haves' and 'have nots' both within and between societies. A technological revolution involving the creation of computerized network of communication, transportation and exchange is the presupposition of a globalized economy, along with the extension of a world capitalist market system that is absorbing evermore areas of the world and spheres of production , exchange and consumption. The technological revolution presupposes global computerized networks and the free movement of goods, information and people across national boundaries. Hence the internet and global computer networks make globalization possible, by producing a technological infrastructure for the global economy. Globalization has an effect on employment patterns worldwide. It has contributed to a great deal of outsourcing which is one of the greatest organizational and industry structure shifts that change the way business operates (Drucker, 1998). Globalization is also seen as changing organizational structures where expenses can move up or down as the business climate dictates (Garr, 2001). For employees the trend toward outsourcing has been thought to result in a loss of fixed employment opportunities as a consequence of firms seeking to use cheap labor from countries like China, Mexico and even Africa. The globalized economies have also had their effect on reward systems, migration, and on job security and each of these are discussed in the below.

GLOBALIZATION AND OUTSOURCING

As a result of globalization, the employed workforce is made up of part time, temporary, freelance, or independent contractors and is growing (Geiger, 1999; Neikirk, 2002). According to Clot (2004) the basic idea about outsourcing is that if a firm does not specialize in a certain function which it does not consider core, it will outsource the work and therefore be able to offer better cost and quality.

Global outsourcing has altered the work in companies. Initially outsourcing was only done for the peripheral services such as janitorial services, but now outsourcing has been extended even to the core functions such as final product assembly, customer service, financial services and technological services (Clot, 2004). Specifically in Kenya, Business Process Outsourcing (BPO) includes call centers, animation, software development, knowledge processing, data processing and transcripting (Wahome, 2008). A case in point is the Telkom Kenya which recently retrenched more than ten thousand employees. A number of those employees who had unique specialized skills in telecommunications, but who could not be retained under the new management as full time employees were asked to form companies from which the corporation could outsource the services it needed (Telkom Kenya Records, 2006). Safaricom, a mobile telephone service provider in Kenya, who have also spread into the East African region, have also made a strategic decision to outsource their call centers and concentrate on the core business (Safaricom Records, 2008).

This was a decision made in order to cope with cut throat competition and it is also an idea that has been brought about by the globalized economy. Held *et al.,* (2003) postulates that the growing extensity and intensity of global interconnectedness implies a speeding up of global interactions and processes as the development of worldwide systems of transport and communication increases the potential velocity of the global diffusion of ideas, goods, information, capital and people. The growing extensity, intensity and velocity of global interactions may also be associated with a deepening enmeshment of the local and global [missing word] such that the impact of distant events is magnified while even the most local developments may come to have enormous global consequences (Held *et al.,* 2003). In the cases mentioned above, it is evident that the distant events have impacted on business processes.

As new products and services are being developed in the US and other developed countries, they are quickly being outsourced to manufacturers and service providers to do the actual work. A contract workforce of salespeople and delivery workers will interact with the consumer. Economic theory suggests that this is the best long term macro economic interests of developed nations and the world as a whole as it allows for comparative advantage. However the problem with this is that, in the long term it will lead to structural unemployment in developed nations and create an ever larger 'skills gap' between those fortunate to have skills and the many who do not. Globalization, organizational design and reward management

In terms of organizational design and human resource management, globalization means that there is need for more 'responsive' and 'flexible organizations' and employees. Globalization has led to global division of labor. Most organizations now especially in the West are making new site selection decisions which are driven by business needs and opportunity exploitation. Companies from the US have especially closed production plants in the US and created offshore professional and operations centers and relocated them to where labor is cheap. For example IT industries have moved to India's Bangalore City popularly known as the Silicon Valley. The employees in India are highly skilled yet they demand pay which is a fraction of what a similarly skilled person in the U.S would demand. In Kenya, as mentioned earlier there are companies like Kencall which are being sourced as independent contractors to give services such as front office customer service via telephone round the world and provide the customers with relevant information needed. It is more of a customer service oriented service where a customer is attended to on phone from Kenya, and then their request is sent to the relevant department for processing. The companies that contract these independent operators are not from Kenya, but from the West. Many employees in such ventures are paid much less as compared to the US and UK standards (Kaburu, 2007). However they are comfortable because when they compare themselves to significant others, they are getting better salaries.

Therefore the global division of labor has resulted in third world countries and European Union accession states specializing as providers of cheap labor and commodities, while the developed first world countries of the so called 'Triad' that is USA, EU and Japan (Rugman, 2000) concentrate on skills that enable the production of high value-added goods and services of all kinds. In Western countries this has been reflected in the shift of employment from labor intensive commodity and such production is outsourced to cheap labor economies, to the service sector such as financial and business services , retailing and 'in person' services (Reich, 1991).

The service sector comprises three different sorts of work: highly skilled, 'professional' and 'knowledge work' (for example, Research and Development experts, investment analysis, advertising, IT consultancy amongst others). The other group is the traditional professions which include, semi skilled workers who comprise of routine back office work which is heavily reliant on operating IT packages (for example call centre work, data inputting in financial services). The last category is the semi or low-skilled front line customer or client facing work (for example, holiday reps, care workers, hairdressers) which involve a high level of personal skills and emotional labor (Legge, 2005).

GLOBALIZATION AND MIGRATION

Migration is defined as, "the temporary or permanent movement of persons between countries to pursue employment or education (or both) or to escape adverse political climates" (Goldin and Reinert, 2007). These authors note that migration causes brain drain, which is the loss of educated and highly skilled citizens to other countries. In Kenya we have lost very many well trained human resources in key positions to developed countries. They have been lured by better pay and working conditions as well as the promise of a better life. This 'skill poaching' by the developed countries has had detrimental effects in the health service sector, as well as in education at the higher levels. The Ministry of Health in Kenya has complained that they are loosing so many of their skilled nurses and doctors to other countries considered as developed and high income countries. As a result, community health centres in Kenya and Government hospitals are understaffed thereby compromising the quality of healthcare provided. In the public universities the scenario is the same whereby key trained lecturers are moving to other countries with a lot of ease and many of those who go out for education opt to remain outside.

The United Nations Population Division (2005) produced the world migrant stock that showed the number of migrants had increased from 16,351,076 in 1990 to 17,068,882 in 2005. High income countries use skilled migrants to fill occupational shortages that cannot be met by training resident nationals. Migrants take with them skills in critical demand. In Kenya, we have lost a good number of well educated people who have migrated, which means the loss of leaders, innovators and household heads which has its own social and political costs. The social costs include the loss of social cohesion, dynamism and growth potential of the economy. A recent study of the Organisation for Economic Cooperation and Development (OECD) suggests that "emigration of highly skilled workers may adversely affect small countries by preventing them from reaching a critical mass of human resources, which would be necessary to foster long-term economic development" Financial Times, March 23, 2005, citing OECD (2005). Emigration deprives governments of tax revenues, depleting the quality of public services and preventing society from earning a return on money invested in the education of migrants. In a report entitled Least Developed Countries (LDCs) Report (2007) economic growth and the creation of employment opportunities for educated manpower in LDCs appears to be closely associated with slower rates of brain drain. The report indicates that the reasons for brain drain are slow economic growth and political instability, especially in Africa. The low level of pay and the huge and widening gap between earnings in LDC's and those in developed countries are also to blame.

CONCLUSION

Globalization has its positive side as well as its negative side. It affects the economic dimensions; that is trade, finance, aid, migration and ideas. Increases in these dimensions of globalization, if managed in a way that supports development in all countries, can help alleviate global poverty under certain conditions.

However as much as globalization is said to lead to job creation, the jobs created are not as good as those lost in the formal sectors. Again due to high competition in the informal sector the survival rate of firms is low, making jobs in these sectors insecure. Also the earnings in the informal sector are lower than the formal sector making the workers vulnerable to poverty and being less economically empowered. The Business Daily Africa reported that, EPZs were moving away from Kenya due to what they termed competition from China. They have also been accused of paying workers wages that cannot change their economic status. This has led to employees in EPZs going on strike from time to time indicates that the Kenyan laborer has not excessively improved their economic status as a result of being employed by these firms. The other issue is that globalization has led to a situation where the business processes that are outsourced are at the lowest level in the hierarchy in terms of skills requirement."Most developing countries throughout the world provide basic services such as data entry. Only a few have been able to improve quality or expertise in order to provide more complex services." (United Nations Conference on Trade and Development (UNTCAD) Report 2003). This means that on the positive side, jobs are created but on the negative side, it means that skill development shall be minimal in developing countries like Kenya. This is because the tasks are simple, routine, precise and easily measured and there are no deviations allowed so there is no room for critical thinking. The other effect of globalization on human resources in Kenya has to do with the migration patterns. Ratha and Xhu, (2008) indicate that the remittances provided by the people who have migrated provide a lifeline to the poor and to their dependants and are an essential source of foreign exchange and a stabilizing force for the economy in turbulent times. However "for many sub-Saharan African countries, the remittance figures are also an indicator of the high levels of brain drain that have deprived these countries of some of the finest brains" (Ratha and Xhu, 2008).

This level of brain drain hampers Africa's and specifically Kenya's growth. The fact that the jobs created require low skills and the skilled people are going away is a bad mix for Kenya's growth, in the years to come. The challenge for Kenya as a result of migration is the growth of skilled labor pools. This is a challenge due to the income differentials between the developed and the developing countries. The global labor market is increasingly integrated for the high-skilled corporate executives, scientists, entertainers and many others who form the global professional elite who have high mobility and wages (UNDP Report, 1999). But the markets for unskilled labor are restricted by national barriers. However, good governance and improvement of the political and economic environment in Kenya can attract back some of the good brains who have been attracted by the high payment levels in developed countries. One of the positive measures of globalization has been the passing on of information which has to do with flow of ideas. This has led to improvements in the way things are done. An example is the public service mentioned where the new ideas have been embraced thus improving service delivery. Globalization allows others to get to know the best practices of other countries easily as a result of information flows which have been aided by technology. Again globalization has led to cut throat competition which means that organizations have had to manage their performance very strictly in order to survive. It is from this backdrop that organizations in Kenya including the civil service have embarked on measures of improving performance. From the human resource management perspective, the performance targets should be clearly measurable so that individuals can gauge their performance.

The targets come from the organizational targets. This form of management thinking has led to improvement in organizational performance and especially service delivery has improved extensively especially in the public service. Most of these organizations are competing with global organizations so they have had to put in extra effort to survive. So with globalization organizations can no longer remain complacent. According to a United Nations Development Program (UNDP) Report (1999), global markets, global technology, global ideas and global solidarity can enrich the lives of people everywhere, greatly expanding their choices. However, globalization today is being driven by market expansion, opening national borders to trade, capital, information which is in turn outpacing governance of these markets. The report indicates that when the market goes too far in dominating social, political and economic outcomes, the opportunities and rewards of globalization spread unequally and inequitably concentrating power and wealth in a select group of people. The way forward is not to stop the expansion of global markets but to find rules and institutions for stronger governance. This means having globalization with ethics and less disparity within and between nations and not more. The idea is to have less marginalization of countries, less poverty and deprivation.

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