

## The Effect of Globalization on Human Resource Management

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### Abstract

This paper analyzes how changes to the global organization of capitalism have accompanied and intensified globalization as well as have affected the regulation of labor and employment relationship. One of the most significant of these changes has been the dramatic increase in the rate of cross-border merger and acquisition activity. Of equal significance, especially for the regulation of labor and the employment relationship, has been the pronounced tendency of global enterprises to transform themselves into coordinators and organizers of activities performed for them by contractors, sub-contractors and suppliers. Outsourcing and subcontracting have allowed global enterprises to reduce and externalize the costs incurred from the direct employment of labor. This reorganization of the operations of global corporations has been greatly facilitated by the removal of barriers to trade and the global movement of capital, and labor market deregulation. Labor market deregulation has largely been brought about by the emasculation of national Industrial Relations Systems (IRSs) in developed and developing nations alike. As national IRSs have been emasculated, so has the regulation of labor and the employment relationship increasingly been internalized in the firm by the use of Human Resource Management (HRM).

**Keywords:** Globalization, Global capitalism, Labor Flexibilization, National Industrial Relations System, HRM

### 1. Introduction

With increasing globalization there have been enormous and far-reaching changes in the global organization of capitalism. These changes are the result of the fierce international competitive pressures faced by enterprises operating in the global marketplace. One of the most significant changes has been the dramatic increase in the rate of global merger and acquisition (M&A) activity. Another has been the pronounced tendency of global enterprises to reorganize their operations so that they are transformed into coordinators of activities performed on their behalf by others. The sub-contracting and outsourcing of operations, particularly the more labor intensive ones, enable firms to reduce their overheads by

externalizing the capital and other costs associated with the direct employment of labor. Naturally, outsourcing and subcontracting have resulted in the lengthening, indeed the globalization, of supply chains which have accordingly also grown in complexity. Globalization, and the development of global capitalism, has been greatly facilitated by, amongst other things, the reduction or removal of trade barriers, and the drastic weakening of barriers to the global movement of capital. Labor market deregulation, reflected in the emasculation of national Industrial Relations Systems (IRSs), has also contributed to increasing and accelerating globalization.

Corresponding to the tendency national IRSs has been the trend to internalize labor regulation within the enterprise. Human Resource Management (HRM) is increasingly used by global enterprises as a regime of labor regulation tailored to the requirements of the individual firm. The growing dominance of HRM in the regulation of labor and the employment relationship has occurred in tandem with the increasing flexibilization of labor. The workforce of the global enterprise is increasingly divided into core workers and peripheral or flexible workers. The core workers are generally highly skilled professionals directly employed by the enterprise in its global headquarters, usually located in the one of the advanced industrial countries. These workers are usually, fulltime, permanent employees who are relatively well paid and receive other attractive rewards and entitlements. In contrast, the peripheral workers are not employed by the enterprise itself, but by its sub-contractors and suppliers. They are generally part-time or intermittent workers on low casual rates of pay. They are also generally women. Employment growth in the less developing countries over the past several decades, as well as in the advanced industrial countries over the same period, has seen a spectacular increase in the size of the flexible, female labor force rather than in the ranks of fulltime employees.

### Objectives

- To examine recent trends and developments in global capitalism and analyze how these have led to the 'flexibilization' of worker and employment .
- To examine how globalization and flexibilization have given rise to the emergence of HRM as a system of labor regulation within the enterprise
- To compare HRM and national IRSs as systems of labor regulation.
- To provide insights for policy formulation in the era of globalization.

## Methodology

The article has been written on the basis of secondary information. The secondary information were collected from published books, journals, research papers, and official statistical documents, most of which were published during the period of 1990- 2021.

## Globalization and Global Capitalism

When we speak of global capitalism, then, we refer to a variant sub mode of capitalism that can be distinguished from two other variants extant in both present and past capitalist social formations- the competitive and monopoly variants. Capitalist social formation almost always includes more than one variant of the capitalist mode of production as well as pre-capitalist social relations. At any given time, however, one variant can be identified as dominant in relation to others. In terming the contemporary era one of global capitalism, we are suggesting that the global variant, and thus global firms, are emerging as dominant in relation to firms that continue in monopoly or competitive sectors of the social formation.

## The impact of new information technologies:

Technological innovation has always been an important factor of change in work. But changes due to the world-wide and wholesale introduction of new information technologies (NIT) in work have particularly important impacts, in part in promoting and speeding up globalization, in part of recurrently influencing work settings.

One consequence of NIT has often been noted: the switch from physical work demands to mental, information handling, “intellective” operations with their concomitant stressors like undue increase of mental workload. This virtualization of work and the switch from physical to mental activities has been labeled by Zuboff (1984) as decasualization of work. New technologies in work settings imply changed competence demands, a new division of local labor, and organizational change. The history of work in the twentieth century is a history in which machines have increasingly replaced the skills of workers of all collars. In a production process in which science and technology are central, knowledge and not skill defines the process (Aronowitz and DiFazio, 1994:92). In order to realize how fast and dramatic these technical changes occur it is sufficient to remind ourselves that it is only since the 1980s that the computer began to enter our work and private life to any noticeable extent. Today, practically every second work place in many parts of the world is affected by the “smart machine”. New information technologies have also transformed the work life for staff in universities. Most university employees spend many hours daily in front

of the computer screens. Daily they are linked to their colleagues through often real-time e-mail and internet contacts. Literature search is conducted by scientists themselves through search machines in the www. The division of labor in university departments changes. Secretaries no longer need to type because scientists usually write their papers and letters themselves. Secretaries become office assistants and office managers.

Thus, the World-Wide-Web and the introduction of new and capital intensive NIT in work settings may be considered as a central precondition for globalized information access and communication. It implies the possibility of breaking down the traditional unity of time and place in work. Flexibilization of working time and the increased possibility to achieve one's work by telemetric (Andriessen and Roe, 1994) and independently of a specific physically determined workplace offer the work force opportunities of self-determined planning and self-determined learning. This increase in autonomy is bound to have repercussions for the distribution of power in work settings as well as in families. The whole fabric of society is affected by this new flexibility.

We are confronted here with a curious irony of history. After all, the introduction of new technologies and the concomitant increase of automation in work followed the rationale of making the production process more controllable and more independent of human action. But due to the drastic increase of capital intensity of high-tech workplaces, workplaces also become more vulnerable due to the possibility of human error or sabotage. Hence, ironically, the opposite of original expectations takes place: work becomes ever more dependent on responsible, competent, and committed human work activity. Add the world-wide increase of competition and the experience of workers to be dependent on the success of their company in order to remain employed, and then we understand why those still employed are characterized by high motivation to work diligently. Threatened by unemployment people work harder. The protection and intermediate brokerage of unions becomes more and more obsolete (Streeck, 1996).

### **Changing work structures in industrialized countries:**

However, world-wide changes in technology not only induce changes in work places, but they also engender dramatic changes in the occupational structure and the professions. We observe world-wide the emergence of new professions which is accompanied by the growing obsolescence and sometimes wholesale disappearance of traditional professions. In consequence, career patterns must change; inter-professional mobility and frequent professional changes in one's life time are required. More importantly, these new

professional categories do not follow the received professional classifications and they do not correspond any more to traditional vocational and professional educational or training programs. We note here a remarkable uncoupling of work and professional demands in the economy from the existing educational system.

Unemployment, as a characteristic of labor market structure, is one of the most prominent crisis symptoms of many Western industrialized societies. Although still claimed by many economists or politicians, this is not a consequence of economic cycles but a structural phenomenon resulting from technical progress and ensuing productivity increases which sometimes reach 200-300%. There is no question that labor productivity, if it is measured as a ratio of a unit of output to the time required for its production, has increased dramatically (Aronowitz and DiFazio, 1994). We observe a growth in productive capacities which makes “living work” (Marx), the demand for work of real people redundant. Both, global competition and outgrown productive capacities appear to be the main drivers of unemployment.

#### **Changing work structures in developing countries:**

While unemployment in industrialized countries is one of their major labor market characteristics, other problems are posed in the mean and long-term perspective for countries in the so-called Third World regions. Import of highly developed production technologies and rapid industrialization processes meet country contexts which may be far from offering appropriate receptive conditions for a balanced and sustained development (see the series of annual reports on human development by the United Nations Development Program – UNDP). Further, an unabated influx of migrants from rural areas to metropolitan centers in Third World countries creates a growing urban under-educated and under-employed proletariat on the one hand and the emergence of new elites who have mastered the new work performance demands and requisite new technologies which make their integration in the globalized economy possible, while, at the same time, contributes to growing rifts and disparities in the social fabric of the population in the developing countries.

#### **Changing industrial relations systems:**

There can be no doubt that also the industrial relations system is drastically affected by competition in all world markets. Particularly, institutionally and statutorily regulated systems of industrial relations are threatened, because under prevailing conditions companies find it easier than before to escape from demanding regulatory frameworks such as the traditional German system of codetermination. As a consequence, more voluntaristic rather than

obligatory systems emerge and social partners (unions and employers organizations) are predicated in their activities less institutionally than by market forces. Employment conditions are more and more determined by company policies rather than general statutory rule systems (Streeck, 1996). The general decline of union membership appears in this context as a reflex of the work force which perceives little protective potential in unions. In short: industrial relations systems, too, undergo critical changes.

### **Globalization and the ‘Flexibilization’ or ‘Informalization’ of Work**

Scholte (2000) observes accelerated globalization in recent decades has affected not only the opportunities for waged employment, but also the conditions of work. What he calls the ‘flexibilization,’ other commentators have termed the ‘in-formalization,’ of work has been a particularly insidious development. The manner in which human resources are deployed in the workplace, working practices and wages, labor mobility, and the range of tasks an individual worker is routinely called on to perform have all been affected by flexibilization. Indeed, while labor flexibility has many guises, these can all generally be fit into one or other of the following categories:

- 1] Reducing the core of permanent workers
- 2] Increasing the proportion of temporary and casual employees [also known as peripheral workers.
- 3] Increasing the use of women, apprentices and migrants.
- 4] Subcontracting the production of components previously manufactured within the factory.
- 5] Subcontracting services like transport, packaging, maintenance, security, etc., which are carried out on factory premises
- 6] Increasing the number of shifts per day or the use of overtime; replacing pay systems based on working time and length of service by systems based on piece rates and bonuses.
- 7] Introducing internal training systems which facilitate redeployment of workers within the factory or enterprise.

Flexible jobs have proliferated in leading sectors of the global economy, such as retail, hospitality, information and communications, and banking and finance. They have also proliferated in the traditional sweated trades and industries, such as textiles and clothing, and increasingly in the industrialized countries as well. Flexibilization has also accompanied the deindustrialization of the older industrial cities and regions, and relocation of process, assembly and other labor-intensive operations to the low-wage countries. The introduction or relocation of production facilities to green field sites in cities and regions with no prior

history of labor activism and union militancy has been a parallel development. Flexibilization has also become more widespread as has the widely perceived need for enterprises; industries and national economies to remain globally competitive become more and more imperative. Managers and workers alike have generally had to accept that improved wages and working conditions and more stable employment arrangements would undermine the competitiveness of the firm and lead to production and other operations moving offshore (Scholte, 2000).

### **Globalization, Flexibilization and Human Resource Management (HRM):**

As suggested above, with increasing globalization, the international competitiveness of enterprises has become a crucial factor in their survival and growth. This is true not only for firms that operate in the global marketplace, but also for firms whose scope of operations is restricted to the national economy of a particular country and even for those that only service local or niche markets. The removal or reduction of trade barriers, dismantling of the barriers to the global movement of capital, the growth in size and influence of TNCs, and the widespread availability and use of communication, information and transportation technologies that make global transactions possible have together ensured that all firms regardless of their scope of operations are now subject to global competitive pressures. Sriyan

De Silva (1998) points out in this regard that Enterprises driven by market pressures need to include in their goals improved quality and productivity, greater flexibility, continuous innovation, and the ability to change to respond rapidly to market needs and demands. Directly in line with this trend, the quality of a firm's "human resources" (employees or workers) is now a crucial ingredient in its overall competitiveness in the global economy.

The growing significance of self-management and the corresponding decline in direct control, in modern enterprises should not be allowed to obscure the fact that HRM is an important, often indispensable, means of achieving management objectives. While employees are encouraged, even rewarded, for identifying with the enterprise and for helping it to achieve its objectives, the vast majority have no effective role in management and play virtually no part in defining the enterprise's objectives (Rix, 2001). As the quality of an enterprise's human resources becomes an increasingly important factor in its international competitiveness, so does HRM attain a more dominant position in the enterprise's overall management structure and decision-making. This is a trend which clearly demonstrates a change in power relations and highlights the supremacy of management. The management prerogative is rediscovered but in place of command and control the emphasis is on

commitment and control as quality, flexibility and competence replaces quantity, task and dumb obedience. To put it another way: the managerial agenda is increasingly focused on innovation, quality and cost reduction. Human resource management makes more demands on employees, work is intensified ...there is less room for managerial slack and for indulgency patterns (de Silva, 1998).

The foregoing should make it abundantly clear that HRM is in no way to be confused with what de Silva calls the “traditional personnel function.” Unlike the personnel function, HRM is fully integrated into strategic management, concerned as it is with ensuring that the enterprise’s human resources are deployed in such a way as to ensure their commitment and contribution to the strategic objectives of the enterprise. Instead of emphasizing “problem-solving and mediation,” HRM is chiefly interested in incorporating the enterprise’s human resources into corporate strategy and planning. Employee participation and cooperation are facilitated by “programs of corporate culture, remuneration packaging, team building and management development for core employees.

Scholte (2000) points out that globalization have a decidedly corrosive effect on employment security. He also argues that the “economic logic” of Flexibilization is highly questionable, leading to reduced rather than enhanced efficiency and competitiveness. Workers who are well trained, well-paid and who have stable and secure jobs may well be more “motivated, reliable and productive” than ‘flexible’ or ‘irregular’ employees. He notes that “To this extent the ‘race to the bottom’ in wages and other working conditions could operate not only against human security, but against efficiency as well” (Scholte, 2000).

According to Gallin (2000), the emergence and development of a global labor market is the most important social consequence of globalization. Capital mobility and the rapidity and reach of communications networks, at once important causes and consequences of globalization, mean that workers in all countries, including the industrially advanced nations, are competitively underbidding each other in an unseemly, and from the point of view of efficiency and productivity, counter-productive global race to the bottom.

### **HRM and National Industrial Relations Systems (IRSs):**

Fleming and Seborg (2001) points out that the governance and regulation of the relations between management and labor are determined both by a country’s Industrial Relations System (IRS) and the HRM policies and practices of individual firms. The elements of a national IRS are largely determined by actors, institutions and forces external to the enterprise, namely, the legislative and regulatory framework covering industries and labor



markets set by government, and by the collective agreements between management and organized labor established within this framework (Fleming and Soborg, 2001). It should not be forgotten, of course, that there is a sort of international IRS in existence, with the minimum labor standards of the ILO at its core. However even here, as Fleming and Soborg (2001) observe, the ILO minimum standards require recognition and implementation within national IRSs in order to be effective. A more effective international IRS would require, amongst other things, greater international coordination of decision-making and more concerted action by nationally-based unions and peak union bodies. The International Trade Secretariats (ITS) of the International Confederation of Free Trade Unions (ICFTU) are attempting to construct a more effective international IRS for all countries, developing and developed, but they, too, are limited by the weakness of organized labor in many countries, developed and developing, and by the consequent weakness of organized labor at the international level.

While trade unions obviously do and should have a role to play in the successful implementation of HRM programs, this must not be allowed to obscure the fundamental differences between HRM and Industrial Relations (IR) approaches to the employment relationship. As de Silva (1998) notes, IR is essentially pluralistic in outlook, in that it covers not only the relations between employer and employee (individual relations) but also the relations between employers and unions and between them and the State (collective relations). IR is also pluralist in that it recognizes that conflict, or at least disagreement, in the employment relationship is inevitable given the competing and often opposing interests of employers and employees. It is this concern with collective relations and conflict which really sets IR apart from HRM, and also explains why IR is so concerned with such institutions and practices as labor law, labor standards, collective bargaining, trade unionism, and so on. MNCs will commonly use HRM as part of a global strategy to bring about convergent labor-management relations within the various plants and operations of the firm regardless of where they are located around the world. In such circumstances, the actions that unions can and do take are largely governed by the national IRS. Corporate managers, on the other hand, are becoming less and less subject to these national constraints but have to be much more attentive to the global HRM strategies not only of their own enterprise but those of their competitors as well. From the corporate point of view, the reasons for this are compelling that HRM can be seen as a more flexible and effective instrument to use and develop labor resources. Industrial Relations (IR) system is based on employers' and employees' rights (or restrictions of rights) as citizens. Thus IRS has a broader public and civil society dimension

involving the state which is absent in HRM. HRM regulation is mainly internal to a global company. Very little is open to public scrutiny and debate, which from a management point of view may give more flexibility and freedom. The typical contractual regulation in IRS is too limited an instrument for management to maximize productivity, competence development and creativity of labor (Fleming and Soborg, 2021).

## Conclusion

Globalization has subjected global companies and companies servicing national and local markets to the same competitive pressures. These pressures have led to the restructuring of global and national enterprises and the reorganization of production, in particular, the outsourcing and sub-contracting of labor-intensive operations. HRM has been widely adopted as a system of labor regulation within the firm and along the length of the supply chain, rising to dominance as national IRSs have declined in strength and significance. The rise to dominance of HRM has been accompanied by the division of the workforce into a shrinking group of core workers and a rapidly growing corps of peripheral or flexible workers, most of who are female workers. The firm at the top of the supply chain determines the employment conditions of the flexible workers, who are employed by the contractors, sub-contractors and suppliers to the top firm. Governments and trade unions have an absolutely indispensable role to play in labor regulation, particularly in the regulation and improvement of the employment conditions of flexible workers.

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