

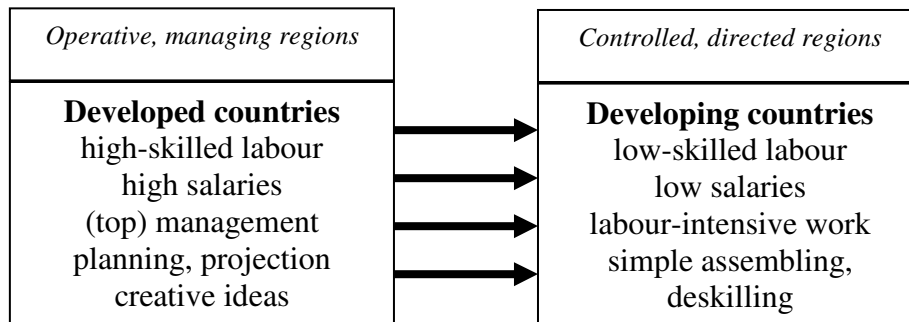
## 16. Labour and Multinational companies

### Globalisation of the world and international divisions of labour

= aims at a worldwide intra-firm division of labour. Activities are established in many places spread over the world, based on country's comparative advantages ⇔

*Theory of comparative advantages* = every country specialises to production and to export of goods which are efficient, cheaper to manufacture there => developing countries can profitably trade with developed ones.

A labour-intensive production of components will be located to low-wage areas, while production of high-tech and high value-added parts will require a skilled or well-educated workforce = changes in spatial organisation of production relations



### Main characteristics of globalisation

- exports may be subject to tariffs and restriction (to protect a market within a country)
- overseas location of branch plants (factories) = advantage of accessing *cheap labour* and *new markets*
- managerial and research decisions shift away from a host country which enables a *product to be shaped to the new market*
- rationalisation = *concentrating activities in the best locations*, i.e. some profitable plants may be closed down or downgraded because their activities are represented elsewhere in lower cost or more strategic locations (according to New International Divisions of Labour theory)

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- movement/removal of production to economically LDCs, in developed countries stay headquarters only with their competences and power (R&D, marketing, contracting)
- widespread deindustrialisation
- *position in social system, especially in case of production relations* is the main cause of problem regions

### Child labour

= phenomenon of globalised world:

- ❖ about 250 million children aged 5 yrs. and over work in developing countries (1/2 full time)
- ❖ >150 million children work in Asia
- ❖ India employs 100 million of child labour
- ❖ 40% of children in Africa work
- ❖ children employed to polish diamonds, making matches and fireworks and in glass or textile industries
  - e.g. Bangladesh garment industry employs a plenty of child labour => 60% exported to USA, 50% of Bangladesh T-shirts supply European clothing market.

### Another reasons for regional problems

- unequal distribution of power in society
- main differentiating factor = Multinational (Transnational) Corporations (MNCs, TNCs):
- *1-2% of all the firms in developed countries create about 50% of production*
- they can require a lot of advantages ⇔ *power*

- problem (peripheral) regions of developed countries lose the only advantage – *cheap workforce* ⇔ MNCs relocate their production to economically LDCs

### **Multinational/Transnational corporations**

= organisation that operates in a large number of countries:

1. R&D and decision-making are concentrated in the core areas of developed countries
2. assembly and production are located in developing countries or in peripheral regions

MNCs have *huge economic and political power*.

#### Advantages of MNCs (in case of a host country)

- ❑ employment
- ❑ improvement of educational and technical skills
- ❑ investment to the country
- ❑ the development of resources and manufacturing in the country
- ❑ the development of energy resources

#### Disadvantages of MNCs

- ❑ local labourers are exploited
- ❑ few skilled workers are employed
- ❑ large proportion of the profits go overseas
- ❑ mechanisation reduces the demand for labour (deindustrialisation)
- ❑ increases import (oil), leads to increased national debt.

#### Examples of a MNCs

Biggest MNCs: **Exxon** (USA) and **General Motors** (USA) = they have sales nearly as large as the GDP of Switzerland (in 2000: 240 billion USD, 38 000 USD per capita, in comparison to Slovakia – 3 700 USD per capita)

Another: Ford Motor Company (USA), Imperial Chemical Industries (UK), British Petroleum, Texaco, Whirlpool, etc.

#### **Keywords:**

globalisation, international division of labour, comparative advantages, production relations, child labour, multinational companies