A relationship between current globalisation, unemployment, inequality and poverty

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Abstract

Purpose – This paper contends that there is a positive relationship between current globalisation, unemployment, inequality and poverty, which paves a vista for further academic discourse.

Design/methodology/approach – As a meta-analytical study, the paper relied on secondary data. It is a qualitative study, which is based on conceptual analysis, theory building and “emic” perspective (authors’ viewpoint).

Findings – A relationship between current globalisation, unemployment, inequality and poverty should be investigated further. Unemployment increases levels of inequality and poverty within society. Although bequeathed with various names and definitions, the logics of current globalisation seem to have exacerbated the problem of global unemployment, the corollary of which is endemic inequality and poverty.

Practical implications – Increases in income inequality and poverty over the past decades, can be attributed to globalisation. Therefore, within the domain of unemployment, inequality and poverty in the era of globalisation, renewed problems of global competition, job termination, wage reductions, labour immobility and technological displacement of workers, have accelerated the rate of global unemployment, the corollary of which is endemic inequality and poverty.

Originality/value – The originality of this paper is that it examines the phenomenon of globalisation, unemployment, inequality and poverty, from a different perspective, which creates an opportunity for further constructive debate.

Keywords Globalization, Poverty, Unemployment, Competitive strategy

Paper type Viewpoint

Globalisation

Globalisation is a new world economic system, which prescribes and describes ways in which businesses, concepts and events are organised around the world. It is a phenomenon that has affected people differently in every sphere of life (Scholte, 2000, p. 255; Bataoel, 2003, p. 1). Globalisation amounts to an effective erasure of national frontiers for economic purposes. It is a state whereby national boundaries turn totally porous with respect to goods and capital and, to a certain extent, porous with respect to people, which is viewed in this context as cheap labour or, in some cases, cheap human capital (Pasricha, 2005). Consequently, border-crossing is activated and accelerated by this porosity, since capital moves across borders; companies relocate and expand across borders; whole industries cross borders; and people, ideas, diseases and even governments, can now cross borders.

According to Giddens (1990, p. 64), globalisation is “the intensification of worldwide social relations, which link distance localities in such a way that local happenings are shaped by events occurring many miles away and vice versa”. Sklair (2002, p. 8) is of
the opinion that globalisation is a particular way of organising social life across existing state borders. It has also been viewed as:

[...] the process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human, physical well-being in societies around the world (Globalisation 101.org, 2002, p. 1).

Jameson and Miyoshi have stated that:

Globalisation is the untotalizable totality, which intensifies binary relations between its parts – mostly nations, but also regions and groups, which, however, continue to articulate themselves on the model of “nation entities” (quoted in Streeten, 2001, p. 173).

Popularity of the globalisation phenomenon is clear from the fact that it has acquired different names in different world languages. Giddens (1999, p. 7) has observed that:

Globalisation may not be a particularly attractive or elegant word. But absolutely no one who wants to understand our prospects at the century’s end can ignore it [...] In France the word is mondialisation. In Spain and Latin America, it is globalizacion. The Germans say Globalisierung.

Other names that are ascribed to globalisation are globalizzazion in Italian, globalização in Portuguese, mondializare in Romanian, while the Dutch refer to it as mondialiseren, which conveys broadly the same meaning as worldization. Apart from the Indo-European languages, the Chinese call it quanquihuahua, the Finnish globalisaatio, the Indonesians globalisasi, the Koreans Gurkje Hwa, the Nepali bishwavyapikaran, the Sinhalese jatyanthareekaranaya, the Tagalog globalisasyon, the Thai lokanuwat, the Timorese luan bo’ot and the Vietnamese toan kou hoa (Scholte, 2000, p. 43). In spite of these varying names and definitions, a relationship between current globalisation, unemployment, inequality and poverty, warrants further scrutiny.

**Unemployment**

An expanded definition of unemployment broadly includes everybody who can work, but is without a job (The Business Times, 2006, p. 6). Presently, there is an increasing number of people that have been added to global unemployment figures, who move from one place to another in search of jobs, which might have evaporated owing to automation, or moved to other regions, in order to take advantage of favourable business climates and government concessions, namely cheap labour, lax environmental laws and tax holidays. Several female job seekers have often become victims of violent crimes owing to joblessness in South Africa (SABC News, 25 January, 2006). Statistics SA (cited in Naidoo, 2006, p. 1) estimated that 60,000 of the country’s unemployed, are graduates. The CEO of Adcorp Holdings, Hilton Brown, has stated that there are tens of thousands of qualified people, some even with work experience, who are without jobs. This shows that the unemployment situation in South Africa is understated, as an increasing number of graduates have become desperately willing to accept relatively lower-paying jobs within the South African Correctional Services (Naidoo, 2006, p. 1). Currently, about 40 per cent of South Africans are unemployed. In this sense, South Africa has a phenomenon of rising unemployment with significant job elimination within the global economy. Recently, South African Airways decided to
terminate 1,000 jobs in order to reduce costs, in order to become more competitive within the global dispensation (Phasiwe, 2006, p. 1). South Africa is not the only case. While concerns over unemployment have mounted in Japan, the same fears have reached a near fever-pitch in Western Europe and Australia, where one in nine workers, is currently jobless (Berry, 1996, p. 1).

The intensity of unemployment within the global economy can be seen from the fact that since the early 1970s, European countries have witnessed a high rate of increased unemployment, since the average level of unemployment has risen from an average of 2.7 per cent in 1964-1973 to 10.3 per cent in 1990-1999. In 1995, unemployment in France, Italy and the UK rose to 10 per cent of the labour force, while in Spain and Finland, it rose to over 15 per cent. Even in Sweden, which had previously maintained a low level of joblessness, the rate of unemployment increased rapidly from 1.5 per cent in 1990 to 10 per cent in 1995 (Singh and Zammitt, 2003, p. 4). It is, indeed, true that particularly during the last two decades, the labour market in developed economies, have exhibited unfavourable tendencies, especially compared to the previous two decades referred to as the golden age. These shortfalls have been manifested in three important areas, namely:

(1) increased inequality of wages and incomes;
(2) de-industrialisation; and
(3) mass unemployment.

Most research points to the fact that there is a positive correlation between globalisation, internationalisation and unemployment. In fact, one major effect of globalisation of business is structural unemployment (Slabbert, 2006). It thus implies that there is an escalation at the bottom level of unemployment owing to the current policy of world-wide tariff reductions and a trend towards transferring some business and production facilities abroad (Adams et al., 2006, p. 9).

Growing unemployment and underemployment, which have been witnessed around the globe, can be attributed to the global logic of competitive profit-making management techniques of outsourcing and corporate migrations, downsizing, atomisation and widespread automation (Ukpere and Slabbert, 2007, p. 5). In addition, the positive aspect of an automation boom that brought new jobs into the information technology (IT) sector, and which was predicted to afford cheap access to information superhighways, has been weakened by endemic job elimination and losses that have been witnessed in other sectors of economies. Currently, customers utilise the innovations and developments within the IT sector to make online travel bookings, perform banking operations, as well as other kinds of purchases and retail trade via the internet. Moreover, more households are now in possession of computers and data telephones, which makes it possible to choose products and services from a global supply chain, from their homes within a matter of seconds. These present trends have resulted in the withering away of a large section of the labour market and have aggravated the problem of unemployment and inequality within societies (Martin and Schumann, 1997, p. 137; Scholte, 2000, p. 220).

In recent times, top managers have been lured to motivate and promote unemployment and under-employment in most organisations. For example, when a French branch of IBM retrenched 122,000 workers and reduced their total wage cost by a third between 1991 and 1995, the management board rewarded those directors that...
were in charge of downsizing with non-pay related bonuses of 5.8 million dollars each (Martin and Schumann, 1997, p. 121; Ukpere and Slabbert, 2007, p. 5). In Germany, it is speculated that more than 4 million jobs could be terminated and that the number of unemployed may increase, from its current 9.7 to 21 per cent, or from 7.3 to 18 per cent in Austria. In addition, several secured jobs, which will be phased-out, will be replaced by part-time posts, temporary work and various forms of low wage employment, which is markedly lower than they have been under the system of collective bargaining (Martin and Schumann, 1997, p. 103; Ukpere and Slabbert, 2007, p. 5).

Some authors have suggested that the normal unemployment rate lies within a range of 5-7 per cent, which is considerably higher than the 1-2 per cent normal unemployment rate that was witnessed twenty years ago. The implication of this is that globalisation has provided an opportunity for labour exploitation while, recently, many skilled workers have begun to occupy jobs for which they are over-qualified owing to the large pool of the unemployed around the globe (Adams et al., 2006). This has resulted in wide-spread job insecurity and an increase in the number of workers who become unemployed without severance-pay (Matthews, 1998, p. 385). Realizing the necessity of a divine intervention in this direction, Pope Benedict XVI, organised a prayer section for unemployed and exploited workers, and celebrated a mass with some members of Italian trade unions and Catholic organisations for workers. According to the Pope, “work enables people to realise their potential and contribute to the good of society as long as their work is undertaken in full respect of human dignity and common good”. The pope asked St Joseph, patron of workers, to take special care of young people who have difficulty entering the world of work, the unemployed and those who suffer from difficulties that are related to wide-spread global employment crises (Wooden, 2006, p. 4).

Inequality
Continuing trends in global unemployment have exacerbated the rate of global inequality. It has been established that the divisions between the global rich and global poor, continues to grow (Haines, 2001). For example, while the income discrepancies between a fifth of the world’s population who live in the richest countries and a fifth who live in the poorest countries was 30:1 in 1960, by 1997 it had grown to 74:1 (UNDP, 1999). Therefore, people such as Bill Gates could boast of $100 billion (almost the wealth of 40 million poor individuals around the world), as at July 1999 (Ukpere and Slabbert, 2007). The United Nations Development Report (UNDP, n.d.) has maintained that the world’s poorest 2.5 billion people (around 42 per cent of the entire world’s population) have a collective income, which is roughly equal to the wealth of the world’s richest 225 billionaires (Karliner, 1999, p. 320; Ukpere and Slabbert, 2007, p. 5). By the late 1990s, the richest 20 per cent of the world’s population enjoyed 86 per cent of the world’s GDP, while the poorest 20 per cent own a mere one per cent. The income of the wealthiest tenth of the world’s households is more than 80 times the purchasing power of that of the poorest tenth (Therborn, 2001, cited in Amin, 2004, p. 1). This disparity is a product of the rich becoming richer and the poor becoming poorer; a trend, which affects developed countries, but is severe among developing nations, with large sections of the population being in Sub-Saharan Africa, East and South Asia, Latin America, while the post communist states are forced further into abject poverty. As Lloyd (2001, p. 21) has noted:
[... ] half of the global population – roughly 3 billion people live in abject poverty; nearly half of these – 1.2 billion in 2000 – live in utter destitution, on less than $1 a day, in danger of death by starvation or related diseases. Access to safe drinking water is unknown to 1 billion people; 2.4 billion have no adequate sanitation.

The consequences of this poverty manifest itself in the form of increasing early mortality, diseases and malnutrition, prostitution, child labour, displacement and forced migration, the violence of social breakdown, state social control and fractional war, acute risk and uncertainty, environmental degradation and vulnerability, as well as a loss of existential material security (Amin, 2004, p. 1). While tenure and security have changed only marginally for the majority, job offers for the unemployed have become increasingly unstable and lower paid (Matthews, 1998, p. 385). For example, the real average hourly wage of an average US worker, declined continuously between 1979 and 1989, while those at the bottom end of distribution, namely the lowest 10 per cent, declined over an even longer period between 1973 and 1998. Moreover, the real hourly wages stagnated for all other groups except those in the top 10 per cent of distribution. Even for the top deciles, real wages have risen by a mere 6.6 per cent over 25 years between 1973 and 1989 (McCall, 2000, p. 21).

In South Africa, 22 million people live, on average, on less than R144/(about $21) per month; the poorest 40 per cent citizens remain overwhelmingly African, female and rural; 60 per cent of female headed-households are poor versus 31 per cent of male headed-households; two out of three children live in poverty; there were 3.1 million jobless African families in 1999 in comparison with 1.9 million in 1995; and 38 per cent of the working population are unemployed, which renders South Africa one of the most uneven societies in the world (Adams et al., 2006, p. 13). Ukpere and Slabbert (2007, p. 5) have cautioned: “Thus, in the face of the current single global economic dispensation, the problem of inequity has become more palpable for rational mediation”. In the USA, corporations have eliminated more than 2 million jobs annually. Although some new jobs are created in the economy, they are, for the most part, in the low-paying sectors, while many are merely temporary jobs or part-time positions, which do not guarantee substantial pay and job security (The Job Letter, 2003, p. 2). This has also boosted the rate of global inequities. In fact, more inequality is reflected in the Third World and the USA.

The Third World

• In Sao Paulo (Brazil) and Accra (Ghana) death rates from infectious disease are twice as high for those living in the poorest areas compared with the richest areas.

• In the Philippines, South Africa, and Nepal infant mortality rate for the poorest 20 per cent of children is twice as high as for the richest 20 per cent.

• In NE and SE Brazil the under-five mortality rate for the poorest 20 per cent of children is over six times that of the richest 20 per cent of children.

• In Peru, rate of underweight and stunting amongst the poorest 20 per cent are about five times those amongst the richest 20 per cent.

• In Indonesia only 21 per cent of birth of the rural poor and 49 per cent of birth of the urban poor were attended by medical personnel, compared with 78 per cent and 93 per cent for rural and urban rich.
59 per cent of deaths amongst the poorest 20 per cent of the world were caused by communicable diseases, for the rich 8 per cent.

In India, 15-19 years olds from the richest 20 per cent of households have completed on average ten years of schooling, children from the poorest 40 per cent of households have on average no schooling.

39 per cent of poor 6-14 years olds in Nigeria were in school, compared with 91 per cent of rich 6-14s; in Madagascar, 47 per cent compared with 90 per cent.

In Ecuador, 75 per cent of households among the poorest fifth lack piped water, compared with 12 per cent among the richest fifth.

In Sao Paulo the 9 per cent living in the richest areas consume five times as much water per capita as the 41 per cent living in the poorest areas; in Accra water consumption per capita is three times higher for the one third of people living in the richest areas compared to those living in the poorest areas.

In Guatemala, the richest 20 per cent of under-fives have a 47 per cent rate of stunting, whereas the poorest 20 per cent have 70 per cent rate of stunting; 25 per cent of the richest 20 per cent of children under five are underweight, compared with 41 per cent of the poorest 20 per cent.

In Morocco, 15 per cent of the wealthiest under-fives quintile suffer from stunting, 39 per cent of the poorest quintile; 6 per cent of the richest children under five in Morocco are underweight and 23 per cent of the poorest are underweight.

In Peru, 10 per cent of the richest children under five suffer from stunting, compared with 51 per cent of the poorest; 5 per cent of the wealthiest quintile of children under five are underweight, 22 per cent of the poorest.


The USA

The Washington Post carried an article on 1 March 1998, saying that the richest 1 per cent of the US population possesses more wealth than the total wealth of 90 per cent of the total population.

The bottom 25 per cent of the US families witnessed a 9 per cent decline in income between 1979 and 1995, with the richest 25 per cent of families enjoying a 26 per cent increase during the period, according to a USA Today report in 1997.

The income of the richest 5 per cent of families was 5.7 times that for the bottom 20 per cent of families in 1995.

Official statistics released in 1997 show that the top 20 per cent of US families shared 49 per cent of the country’s total income in 1996, with the income level for the bottom 20 per cent families falling by 1.8 per cent.

The current income level for the top 20 per cent of the population is nine times more than the figure for the bottom 20 per cent, up significantly from the 3.5 times figure in 1979. In addition, some 75 per cent of American workers earn less today than in 1979.
16 per cent of the US population lived below the poverty line in 1974, with the figure rising to 19 per cent in 1997.

Results from the most recent census show a disparity in the economic status of blacks, with the average net property value of black families standing only a tenth of the level for white families. A USA Today article published in April 1997 noted that the income level for Afro-American families stands at only 63 per cent of the level for white families.

The Wall Street Journal (3 September 1997) reported that the income level for black persons is 19 per cent lower than that for a white person with the same education level. It also noted that the proportion of poverty-stricken black families is 15 per cent higher than for poor white families, with the total number of the former more than double the figure for the latter.


Poverty
The rate of global poverty has increased owing to global inequality. Indeed, increases in income inequality and poverty in the poorest developing countries, over the past decades, can be attributed to globalisation (Salvatore, 2004, p. 548). Bonded and trafficking labourers, owing to restrictions on global labour mobility, are locked into livelihoods that provide no opportunity to shift from poverty (The Chronic Poverty Report, 2005, p. 17). An initial guesstimate by Hulme and Shepherd (2003, pp. 412–13) provided a range of 389-727 million people in 32 developing countries, including China and India, as chronically poor. However, recent data from The Chronic Poverty Report (2005, p. 9) rendered the figure at around 300-420 million people. Chronically poor people are found across the world, while the largest numbers live in South Asia (135-190 million). However, the highest incidence of chronic poverty is in Sub-Saharan Africa, where 30-40 per cent (about 90-120 million people) live on less than $1 per day. East Asia also has significant numbers of chronically poor people, namely between 55-85 million, who live mainly in China. Ukpere and Slabbert (2007, p. 5) have stated: “Most of the incidents increasing the rate of poverty around the world today cannot be attributed to nature, but to man and the selfish capitalist institutions created by man”.

The UN Research Institute for Social Development (UNRISD, 2000) approximated that the number of people who live on less than $1 per day, increased from 1,196,500,000 in 1987 to 1,214,200,000 in 1998. UNRISD maintained that although there is a reduction of poverty in East Asia and the Pacific, the Middle East and North America, however, there have been increases in the growth of poverty in post-communist Europe, Central and South Asia, Latin America, the Caribbean and Sub-Saharan Africa (Skair, 2002, p. 47):

The incidence of poverty has increased in the past few years not because the world, as a whole, is getting poorer, but because the benefits of growth have been unevenly spread. There has been a striking increase in inequality (UNRISD, 2000, p. 11 in Skair, 2002, p. 48).

The casualisation of most employment and voluntary retirement packages for workers in government parastatals in Nigeria and, of course, South Africa may signal a move towards pauperisation (Ukpere and Slabbert, 2007, p. 5). The data of
Third World countries has revealed a wide range of deprivation among them. For example, 3.9 per cent of the populations in Uruguay were in severe poverty during the late 1990s compared with the 64.7 per cent in Niger. In general, more than one-third of people in developing countries were in extreme poverty (*The Chronic Poverty Report*, 2005, p. 9).

According to the World Bank, 1.1 billion people are extremely poor. The highest number being Asia, however, Africa has the largest proportion, namely almost half its population (Ukpere and Slabbert, 2007). Almost half of the 6 billion people in the world are poor; 8 million people die each year because they are too poor to stay alive, while 1 billion lives are in danger because they lack food, whilst living in a world of abundance (*Time Magazine*, 2005, p. 26; Ukpere and Slabbert, 2007, p. 5).

In a shocking report on human poverty, UNDP recorded the income or consumption share of the poorest 20 per cent of the population in fourteen countries across four continents. Based on these figures, people in the poorest quintile in Brazil, who share merely 2.5 per cent of its total income, appear to be the worse-off. Comparable figures for South Africa are 2.9 per cent, for Russia 4.2 per cent and for Thailand 5.6 per cent. In addition, UNDP (2000, p. 43) has stated: “Economic growth cannot be accelerated enough to overcome the handicap of too much income directed to the rich. Income does not trickle down; it only circulates among the elite groups” (cited in Sklair, 2002, p. 49). In fact, it is not merely poverty, but the threat of poverty, which is a danger to democracy.

**Conclusion**

In conclusion, within the domain of unemployment, inequality and poverty in the era of globalisation, renewed problems of global competition, job termination, wage reductions, labour immobility and technological displacement of workers, have accelerated the rate of global unemployment, the corollary of which is endemic inequality and poverty. Therefore, would it then be incongruous to assert that there is a positive relationship between current globalisation, unemployment, inequality and poverty?

**References**


Further reading

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