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Globalization and Structural Changes of the International Labor Force and Immigration Effective Factors

By:
Sameti Morteza, Ph.D. *

Abstract

Alternative theoretical perspectives have been presented to explain internationally effective factors affecting immigration. For example, the orthodox explanation of migration is based on the concept of wage differentials as an important factor of international immigration. The world system approach declines to interpret theoretically international migration as a phenomenon between independent national economies and the world system approach studies it in relation to the development of the modern capitalist world-economy. The Job-Labor-Reward Hierarchy approach relates international labor migration to the hierarchical structure of production in the division of labor on a world scale.

It seems that the globalization phenomenon affects these approaches exactly, because it removes the geographic, economic and social boundaries domestically and internationally generates a new international labor force migration flow in which social welfare is an important factor.

In this paper, the roll of social welfare has been considered as an important factor of the international labor force between globally convergent countries.

1- Introduction

Why do people migrate from their countries to other places? This is a complicated and important question. It is complicated, for the effective factors that generate the migration phenomenon are variable over time. For

* - Faculty Member of Department of Economics, Isfahan University – Iran.

example, differences in equilibrium level among national economies, differentiate wage levels among countries. The development of a modern capitalist world economies and finally the job-labor- reward hierarchy before the Second World War are important reasons for international migration. But these factors were not similar in all countries which experiencing migration at the same time. After the Second World War, the job-labor- reward hierarchy process changed structurally because of the generation of a new international division of labor. Before the world war, developing countries were exporting primary goods and developed countries were exporting industrial goods. After the world war because of the new on the world labor market and a real world industrial reserve army of workers, together with a world market for production sites, division and subdivision of the production process and the development of transport and communication technology, the developing countries thought about exporting industrial goods. Exportation of industrial goods has continued to this time. In addition, the globalization phenomenon has also begun. At the same time, day-by-day division and subdivision of the production processes grow and production sites are decreasing. This phenomenon has decreased the last motivating reasons for immigration like difference between wages, economic equilibrium, production sites and so on. In fact, nowadays, it seems that the main factors for immigration have been changed by globalization so that the traditional motivations for immigration have been replaced by social security and welfare.

2- Review of Literature

A) The Orthodox Expectation of International Labor Migration

The traditional cause of the movement of workers across a boundary line applies to the analogy of international trade and international capital movement. In this explanation, the national economy is first premised as a unit of analysis, and then international economic relations are analyzed. The first supposition is that there are two national independent economies, which are self-sufficient and internally homogeneous. Second, equilibrium within each national economy is a factor that influences labor migration in advance of the migration itself. However, there is a difference in the equilibrium level between two national economies.

Wage is often adopted as an equilibrium factor. It is domestically equal within each of them. Internationally, however, the wage in one country is higher than then in the other. Finally, when they encounter each other, labor moves from the low to the high wage national economies until they reach a new equilibrium internationally.

However, the theory based on wage differential does not explain when labor migration begins because sometimes, in spite of the existence of a wide gap in wage level between two countries, there is no migration. Sometimes although there is no change in the difference between wage levels, international migration suddenly begins to flow.

This theory that suggests that there is always a kind of migration flow from the poorest to the richest countries is known as the push-pull theory. In this theory, migration is caused by a combination of push factors, impelling people to leave their country; the pull factor attracts them to the receiving country. Although many elements enumerate the push and pull factor, the explanation based on poverty and labor demand is most popular. While poverty in a sending country is supposed as a push factor, labor demand in a receiving country is introduced as a pull factor, which determines the length and size of migrant flow.

However, we could not explain the total migration situation by this theory because in spite of a great disparity of wage levels between the Third World and the highly developed countries, a labor shortage occurred even before the Second World War. However, the increase of labor demand in highly developed countries pulled migrants from various areas in the world except from the Third World where wages were lowest. In addition, this theory is not sufficient to explain migration, since wage differential is not enough to cause it. It means that workers in a receiving country are not replaced by those in a sending one who are always willing to work at a lower wage.

If the migration does not take place without the additional demand in a sending country, the national boundary must usually close against foreign workers. It opens for them only when labor demand increases. Therefore, the push-pull theory assumes 'control over the frontiers' implicitly. If so, it cannot explain why there was in fact no control over the frontiers against the third world worker in highly developed countries before the Second World War. In addition, if one of the needs of globalization is to remove the economic boundaries, then this theory could not explain the changes that will be generated in migration by the globalization phenomenon.

In a word, the orthodox explanations, which suppose that a national economy is a self-sufficient and homogeneous socio-spatial unit, cannot use migration factors as explanations.

B) The World-System Theory and International Labor Migration

Some theorists like Elizabeth Mclean Petras and Lydia Potts believe that independent economies are not sufficient to explain migration. Instead, they believe that migration relates to the development of a modern capitalist world economy. Their major premise is that over time it is possible to identify a series of labor-capital exchanges which constitute a world labor market and that this global labor market has been integral to, and a consequence of, the development of the modern world-economy. (Petras, 1983, p.45). In addition, global labor market as a term and a concept is proposed as a paradigm for studying migration in global and historical perspective, going beyond national and regional limitation in the search for overriding trends and processes. (Petras, 1983,p.59).

We can see that Petras and Potts implicitly introduce a kind of systematic concept for migration that involves capital accumulation and this concept has been generated from the emergence of a capitalist world-economy. Indeed, they introduced the spatial labor transfer concept. In this concept to maximize profit, the capitalist produces a commodity as cheaply as possible. Although its cost depends on many factors, one of the most important is labor cost. Capital requires the sufficient supply of labor power, which it demands. It does not hesitate to recruit labor power over long distances, if it is profitable. Spatial labor transfer is an essential form as a global labor supply for expansion of the capitalist world-economy whose effective force is the accumulation of capital.

Capitalist world economy expansion has brought about the incorporation of independent societies into the system. Societies are involved in commercial relationships and their traditional economic structures are transformed. In this process, workers are liberated and mobilized to be available to the market. The accumulation itself has developed resources of labor formed by those workers. (Masaki Takenouchi, 2001.p.7).

In comparison with orthodox explanations, the capitalist world system has more power to explain the different kinds of migrations. Important characters of this theory relate to world demand. World supply balances by changing wage-covering; the orthodox explanation about wage difference between sending and receiving migrant countries, when the world labor market expresses the fact that labor force has transferred over long distances. This theory's emphasis is that that not all productive activities depend on free wage labor in the world economy. Free labor is the form of labor control used in the core whereas coerced labor is used in the periphery. The combination of them is the essence of capitalism (Wallerstein, 1974, p.126).

According to Potts, an important factor for the expansion of capitalism into non-capitalist societies is the acquirement of not only raw materials but also labor power. Capital chooses the labor system whose cost is lowest based on comparative calculations of labor power cost; and recruits living labor power for it by physical coercion in the geographical extent of the world labor market at a particular point in time. Since the capitalist method of exploitation has developed and the world labor market has expanded geographically, there is a dominant labor system and a typical pattern of migration in the world economy at each epoch. The individual stages in the development of the world labor market follow on from each other through the course of history (Potts, 1988.pp.199-201). Finally, Potts' concept of the "world labor market" means in fact that gross demand of labor required by capital meets gross supply of labor by physical coercion on a world scale.

We would like to point out two problems in her argument in this context. First, she emphasizes that labor's drive toward profit maximization causes migration and simply says that labor moves from lower to higher wage zones. If so, it would be rational for capital and labor to move from the periphery to the core. Therefore, this flow should always occur, and it should be the largest flow in the world economy.

Second, as she attaches importance to the politico-legal regulations that states decide who should pass into their territories, she emphasizes that migration from low to high wage zones do not always occur because of state policies and functions at the border.

In sum, Petras and Potts have two characteristics in common. First, they do not pay attention to the quantitative aspect of labor, while they are interested in labor cost (Potts) and wage (Petras). Second, they assume capital can recruit freely the labor force that it needs in the world market. In their approach, the hierarchical structure of production in the division of labor on a world scale, which the world system theory emphasizes, seems to be forgotten (Masaki Takenouchi, 2001, p, 12).

This theory does not have the power to explain all of the dimensions of the migration. For example, this theory could not explain that in spite of the existence of capital accumulation in Europe after the Second World War, why did Asian people not migrate to Europe?

C) The Job- Labor-Reward Hierarchy on a World Scale

"Commodity change" was an argument, which Wallerstein offered in relation to the job-labor-reward hierarchy. Wallerstein's argument was:

"Our basic assumption in the analysis of core-peripheral relation is that the concept of international trade is fundamentally misleading". ...... What we reject is the implied sequential development: first national markets then expanded foreign trade geared to an international market. Instead, we start with a radically different presumption.

More explanations about "commodity chains" are needed. What we mean by such chains is the following: take an ultimate consumable item and trace back the set of input that culminated in this item.....the prior transformation, the raw materials, the transportation mechanisms, the labor input into each of the material processes, the necessities of life for the labor force. This linked set of processes we call a commodity chain. If the ultimate consumable were, say, clothing, the chain would include the manufacture of the cloth, the yarn etc., the cultivation of cotton, as well as the reproduction of the labor forces involved in these productive activities."(Wallerstein, Hopkins and others, 1977, p.128).

The concept of commodity chains means the sequence of combined processes of making a final consumer commodity. At the same time, it means that various labors in the world economy are combined to achieve the total production process of a final commodity. This labor combination has a hierarchical structure along a series of commodity chains from the periphery to the core: labor added to commodity change from unskilled to skilled, and from low reward to high reward. (Masaki Takenouchi, 2001).

However, commodity chains only focus on the interrelationship among labors input into the commodity production directly. In the firm organization, the main production unit in the capitalist economy, we find not only the direct production labor but also labor that performs the function of control, command, coordination and so on. In this organization, there is a hierarchical structure of labor, from capitalists and managers at the top to unskilled workers at the bottom, too. In sum, the labor formation in the world system is based on the combination of commodity chains and firm organizations; that is, social division of labor and intra-firm division of labor. So various factors cause change in job formation, which in turn influence labor arrangement.

For example, the geographical expansion of the world system, the introduction of new products and new technologies, variations in the production of a commodity, and degradation of a commodity production according to the product life cycle all influence job formation in this hierarchy, and then change the arrangement of labor. In addition, capital demands the specific labor that is suitable for a particular job and it could rearrange the mentioned hierarchy. Although it is difficult socially for labor to move a great distance, if capital finds the suitable labor in a geographically distant area, it can recruit this labor; thus, international migration takes place.

Expansion of capital accumulation causes changes in the international division of labor and the reformation of the job-labor-reward hierarchy; then, it induces the social moving of labor between jobs. Spatial labor migration should be understood as an example of this moving. Therefore, capital recruits labor without minding spatial distance to annihilate social distance between jobs.

The job-labor-reward hierarchy is named "world labor market" but it has a different concept from Petras and Potts, because they ignored the hierarchical structure of jobs and labor. Before the mid-twentieth century, the job-labor-reward hierarchy theory did not explain the migration because the capitalist world system expanded throughout the globe and most areas, especially the Third World, integrated into the lowest stratum of the system. Most Third World workers were also incorporated into the lowest step of the job-labor-reward hierarchy. However, that particular movement did not last. After the mid-twentieth century, mass migration from the Third World periphery to the core began. Since that time, structural change has occurred in the job-labor-reward hierarchy.

D) New International Division of Labor Market and Migration

After the Second World War, the modern world economy gradually fully expanded geographically to other areas on the globe. Therefore, there was no new labor integrated into the lowest stratum of the job-labor-reward hierarchy from outside. As capital accumulation has developed, subsistence activities have decreased, and wage labor and market oriented activities have increased in all households in the world economy. Because of this, the local economy has incorporated into the capitalist world economy and has gradually been disintegrated by commoditization. Commodities have increasingly replaced goods produced in the subsistence sector. Today, even in the rural area in The Third World, basic food (i.e. rice. wheat. maize. etc.) is often being commoditized. In the process of disintegration of the local economy, commoditization of basic food that forms the nucleus of subsistence activities plays a critical role. This is the final stage of disintegration. As long as basic food and means of production for it including land, water, etc, are supplied within a local community, indigenous labor organizations controlled by paternalism last. Social organizations and traditional practices supporting them also survive.

However, when basic food is produced and/or supplied as a commodity, indigenous labor organizations decline; and social organizations and traditional practices are transformed substantially. The relationships based on the market economy become dominant and relationships between household, and land and labor are often relationships between commodities.

Members of the household often seek employment outside a community. They are different from workers in the periphery in the nineteenth century. First, the lower limit of their wage is higher than it was, since they have to compensate decrease of subsistence activities by wage-income. It is no longer rational for them to accept employment at a rate of remuneration which contributes less than its proportionate share (in terms of hours worked) of real income. [It was rational to earn necessary liquid cash. when wages formed a less important segment of total household income.] (Waller stein, 1983, pp.26--27).

Second, it is difficult to organize them into the labor system based on a traditional one controlled by "internal coercion" because of decline of subsistence activities. Instead, they behave as workers and obey direct control over the production process by capitalists or managers, although they may still be different from the "doubly free wage worker."

Third, when they emigrate, they gradually lose their nature as birds of passage.

The structural changes in rural areas in the Third Word and in the Asian zone as well as rural-urban migration has increased rapidly and the active population engaged in agriculture as a proportion of total active population has decreased. Frober and others believe that even if only a minority of the population is employed in modern industry, the rest form the reservoir of potential labor power. Part of this rural-urban flow stretches to international migration to highly developed countries. Therefore, workers who have not belonged to proletarian households have absolutely moved up in the job-labor-reward hierarchy, while no new workers have been integrated into its bottom from outside in this century.

Recently, import substitution industrialization policy has been replaced by export-oriented industrialization by foreign capital in third world countries. It has caused a global redistribution of capital accumulation. Indeed, the workers' migration has been replaced by capital migration.

3- Experimental Evidence

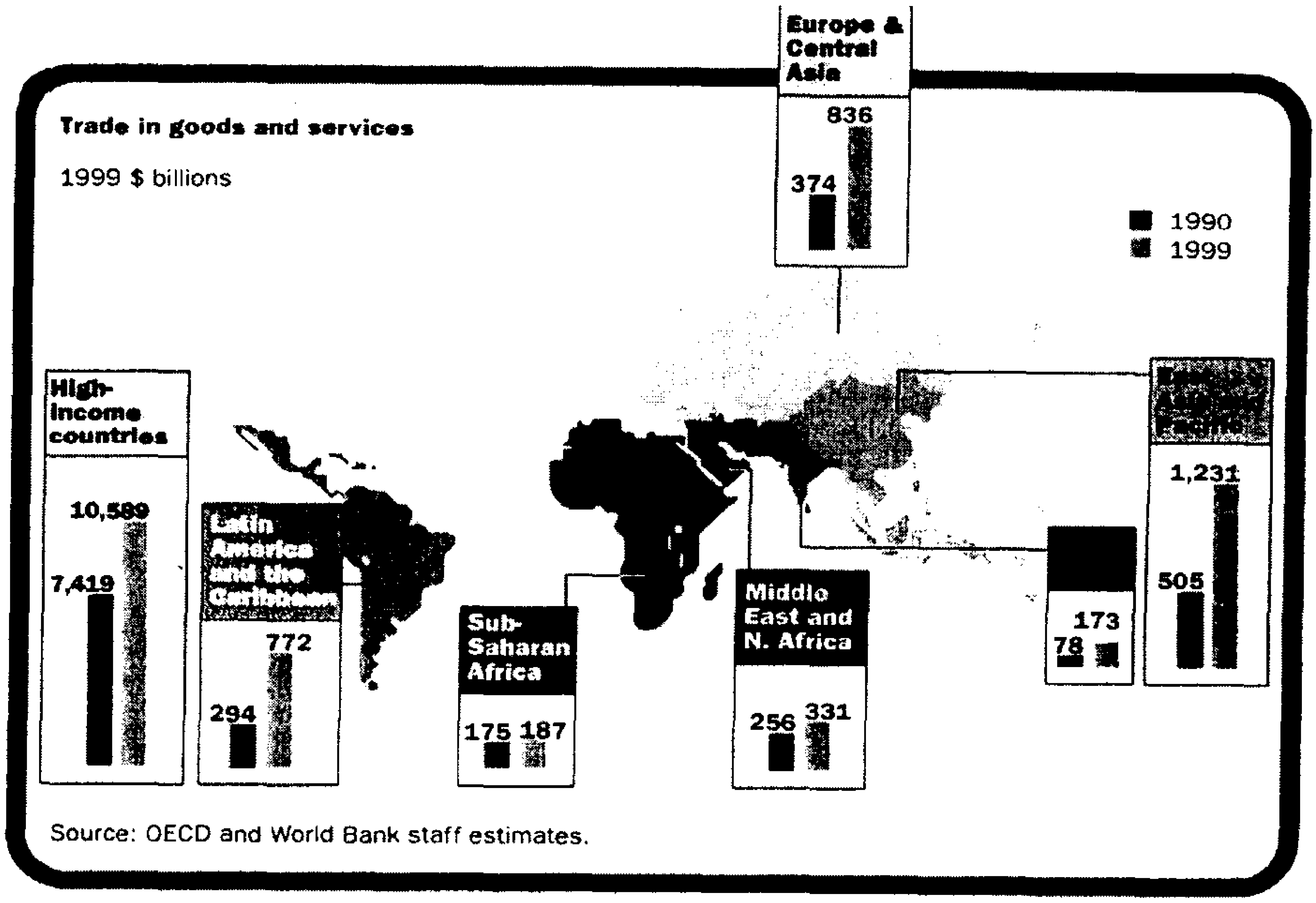
A) Globalization, Convergence and Labor Force Migration Effective Factors

This is not the first time the world has experienced globalization. At the end of the 19th century, massive migrations took place from Europe and Asia to Australia and North and South America. Between 1891 and 1900, more than 3.5 million immigrants landed in the United States, and 8.8 million more followed in the next decade. The 19th century also witnessed an enormous expansion in trade. In 1820, British trade stood at 3 percent of GDP. By 1870, it had reached 12 percent (Maddison 1995).

The new technologies of steam power and telegraphs and telephones brought goods and people closer together, but globalization is not an inevitable process. In the 20th century wars, economic depression, protectionism, and restrictions on the movements of people interrupted the trend toward greater integration until the last two decades.

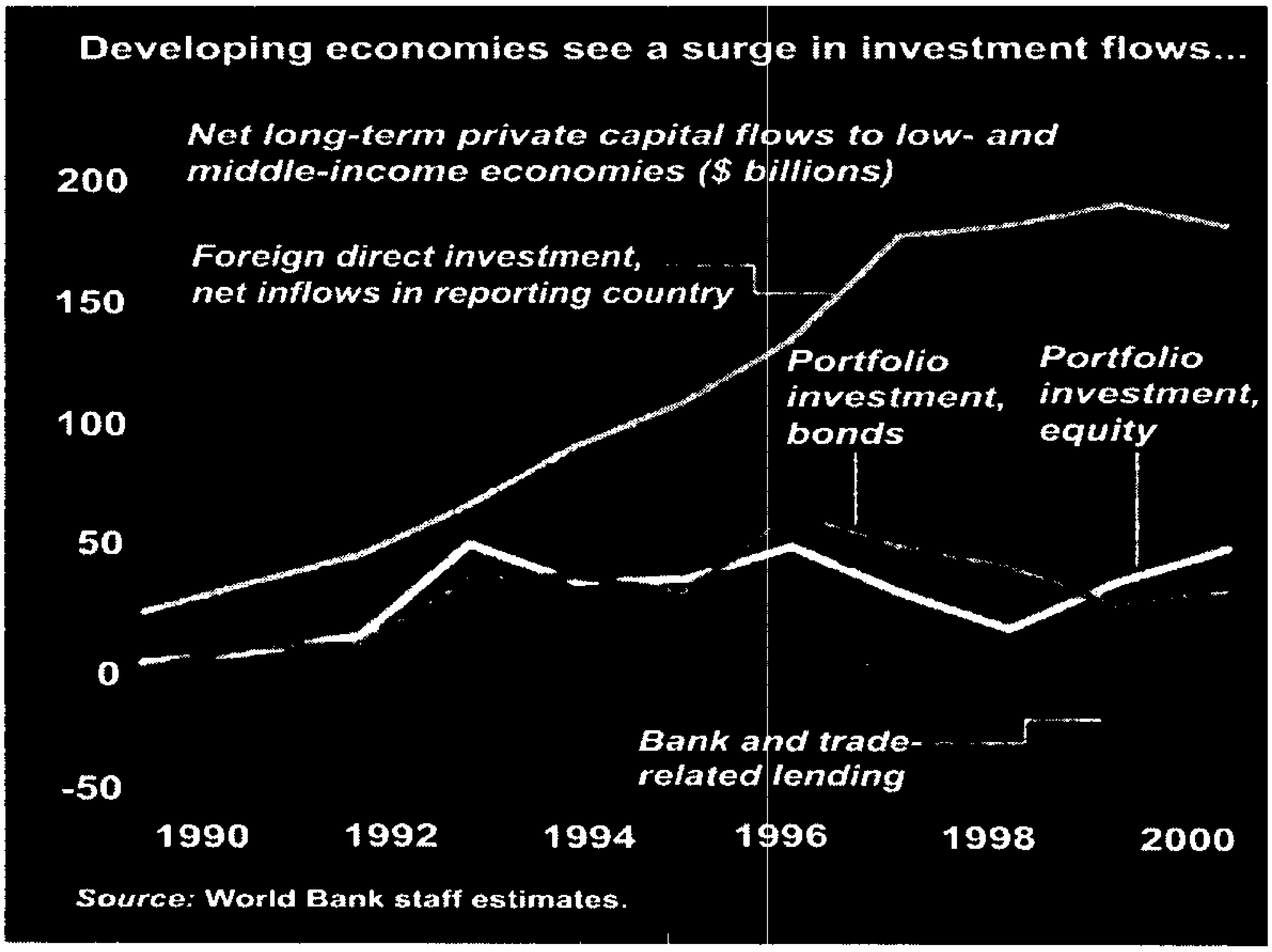
At the opening of the 21st century, the world's economies appear to be becoming more integrated: trade is expanding, capital markets have sprung up in developing and transitional economies. Tourism and migration is growing, and new technologies have linked the farthest corners of the world. All these activities are evidence of a process that has come to be, called globalization. By opening new markets, sharing knowledge, and increasing the efficiency of resources, globalization can expand opportunities for people and reduce poverty.

But there are also risks. Globalization can increase vulnerability to external shocks. Increased competition creates losers as well as winners, and the rise of large multinational corporations may contribute to a sense of helplessness and loss of control. Growth in trade and growth in output tend to go hand in hand. Between 1990 and 1998, the 12 fastest growing developing countries saw their exports of goods and services grow by 14 percent and their output by 8 percent. The faster pace for exports implies a growing ratio of trade to GDP, one of the key indicators of globalization.



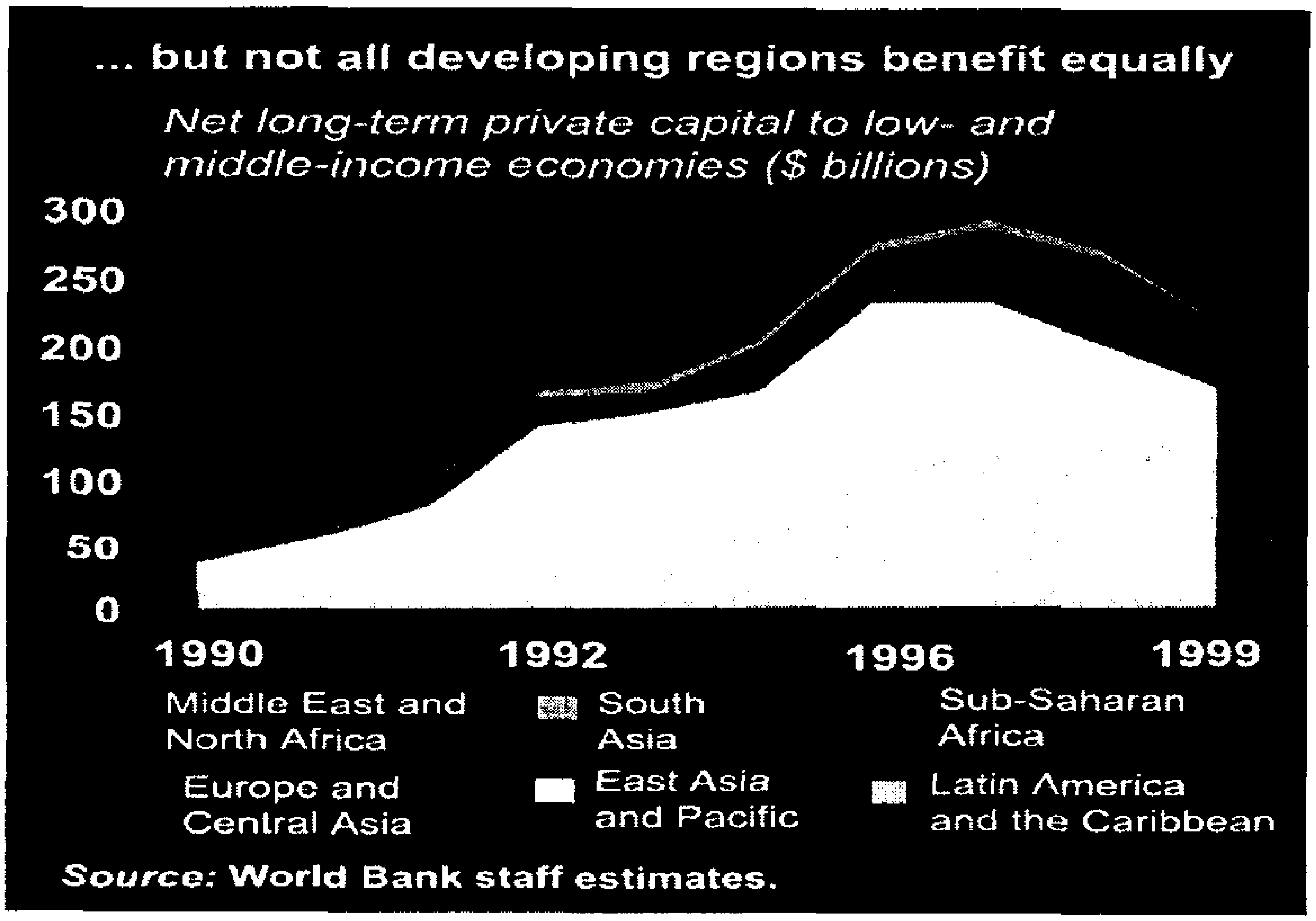
B) Investment flows increase

Foreign direct investment is now the largest form of private capital inflows to developing countries. World flows of foreign direct investment increased fourfold between 1990 and 1999, from $ 200 billion to $ 884 billion, and its ratio to GDP is generally rising in both high-income and developing countries. However, the surge in foreign direct investment began to slow after the financial crisis in 1997. In that year, developing countries received 38 percent of world flows. By 1999, their share had fallen to 21 percent. Foreign direct investment may have indirect benefits. It is often accompanied by transfers of skills and new technologies that increase as dynamic effect on growth. Portfolio investment is more volatile than foreign direct investment and requires careful management, but it can play an important role in deepening the domestic capital markets of more advanced developing countries. In general, the benefits of private capital flows will be greatest in countries with a well educated workforce, good infrastructure, properly regulated capital markets, and a good business climate.



Private capital flows tend to go to countries with strong investment climates. Fifteen emerging market economies, mainly in East Asia, Latin America, and Europe, accounted for 83 percent of all net long-term private capital flows to developing countries in 1997. Most of these economies are middle income. So, the increased capital flows in the past decade may have contributed to widening income and differences across countries. Sub-Saharan Africa received only 5 percent of the total.

The capital markets of developing countries are still not globally integrated. The ratio of gross (two-way) capital flows to GDP measured in purchasing power parity terms has increased by about 250 percent since 1989 in developing as well as high-income economies. But the average for developing countries, 4.1 percent, is less than a ninth of the highly integrated European Monetary Union.



So, globalization leads to convergence, especially in countries which are in economic zones. The convergence will be generated by trade, foreign capital flow, technological transformation, technological information and so on. The important point is that if we accept that capital generates labor demand overseas and it leads to labor migration, globalization migration leads to foreign capital migration. And, capital requires labor in sending countries. So capital is not a main factor for migration.

C) Social Security and Welfare

Finally, the question is asked: will migration be interrupted or decreased by expanding globalization? The answer involves many factors. We can say that migration will be going on in the future but capital will not be an important factor. Zones converge and lead to structural changes within immigration factors. It seems that capital as a main migration factor will be replaced by social security and welfare indexes, because although globalization and convergence leads to increasing the income level of developing countries, but there are deep gaps among countries' social security and welfare indexes.

4- Conclusion

In this paper, the main factor of generating migration was historically reviewed. At first, differences between wages levels and economic disequilibrium in sending and receiving countries were main factors for migration. Then capital as a main factor for the demands of labor was an important factor for migration. It continues that the modern capitalist world economy and the world labor market system was also developed. Finally, commodity change and the Job- labor-reward Hierarchy were also offered as an explanation of migration.

Capital, in nearly all discussion, was a very important explanation of migration. But globalization and the convergence of countries leads to a decrease the role of capital as an important factor for migration. After the considering the globalization and convergence between countries, capital has migrated instead of labor migration. So the role of capital has been decreased gradually. In the future, other obvious differences between sending and receiving countries, as well as social security and welfare will be an important factor affecting migration.

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