Socioeconomic Transitions

The New Realities of the Global Workforce

Martha Farnsworth Riche
and Michèlle E. Mor Barak

There is no difference among classes of people. All the world is of divine origin.

—The Mahabharata, ancient Sanskrit epic

National states currently face a new set of economic conditions that push toward the neutralization of borders and diminish, or at least alter, state sovereignty and unilateral state action. Further, . . . the emerging human rights regime makes the individual regardless of nationality, a possessor of rights.

—Saskia Sassen, Guests and Aliens, 1999

Changes in the global division of labor are blurring traditional geographic and corporate boundaries. At the same time, a growing concern for human rights in countries around the world calls for the inclusion of previously excluded people in mainstream economic activities. Whether national

a. Martha Farnsworth Riche, Ph.D., Center for the Study of Economy and Society, Cornell University.
or international, the confrontation of people with different cultures and characteristics in the workplace is an increasingly salient management concern. This chapter examines the economic and social forces that create a more diverse workforce worldwide. We examine trends of worker migration, occupational diversity among migrants, and educational attainment and their implications for creating increased diversity in the global workforce.

Flows of employers as well as workers are an important feature of the integration of the global economy. This is due in large part to imbalances in labor demand and supply (as described earlier in Chapter 4, Global Demographic Trends). Migration of working-age people has traditionally contributed to resolving such imbalances (Sassen, 1999), and it is still a solution for many in developing countries, whether they are highly skilled or simply seeking a livelihood. However, the numbers now entering working age in the developing countries are far larger than those willing to leave their homeland, with the latter already exceeding the numbers that better-off nations seem willing to absorb. Instead, globalization is allowing these countries to export many of their employers, particularly those in labor-intensive, low-paying industries that make a product that is transportable.

In strictly economic terms, it makes sense to move such jobs to people who find them superior to their local alternatives. Even when these jobs stay put, they often fall to immigrants because native-born workers demand wages that could price the products out of the international market. Kabeer (2000) illustrates both situations in her study of Bangladeshi apparel workers in England and Bangladesh. In the English context, the immigrant workers see themselves as exploited, whereas in Bangladesh, the workers find the same jobs a significant improvement over alternatives. In short, the context matters: jobs that are low paying and low status in an industrialized country can be exported as higher paying and higher status to developing countries.

Either way, migration of workers or migration of employers, the resulting encounter of people from different places, with different cultures and capabilities, is an important source of workplace diversity. This is particularly so because societies tend to racialize immigrants, describing them as “aliens” when they arrive, “minorities” if they settle. Describing long-settled populations, including many born in the new country, Sassen (1999) remarks, “In France they are referred to as immigrants even when they have become French” (p. 143). Similarly, Zinn (1994) comments on the euphemism used in Italy to refer to immigrants from developing countries: “Consider that the Italian euphemism for the immigrants from developing countries is immigrati extracomunitari—that is, non-EEC immigrants. As a U.S. citizen, I am technically an extracomunitare, too, though in fact no one would really consider me as one” (p. 54). In the Netherlands, Sweden, and Belgium, most immigrants are described as “minorities,” and in Britain as “ethnic minorities,” although the
United Kingdom has its own British ethnic minorities—Scottish, Welsh, and Irish (Sassen, 1999).

A significant foreign presence in industrial-country workforces is not new. Historical studies such as Sassen’s document a large role for foreign workers in Western European countries before modern times, and other large industrial economies had their birth in traditional immigrant-receiving countries such as the United States and Canada. More recently, some European countries made up for population losses during World War II by recruiting workers from abroad. The history of immigration in France, for example, indicates that the makeup of immigrants has drastically changed in recent years. Most of the workers who immigrated in search of work post–World War II were Poles, Belgians, or Swiss, who were in essence Europeans with physical characteristics not much different from those of the French. In recent decades many of the immigrants are Black Africans and Asians (Alba & Silberman, 2002; History of Immigration in France, n.d.). Germany, too, developed a “guestworker” recruitment strategy in pursuit of economic development. Thousands of workers were brought in from countries such as Turkey, Yugoslavia, and Italy to work on German assembly lines with the mutual expectation that the situation would be temporary (Martin, 1994). Zlotnick (1994) says that after World War II, “the scale of the population inflows experienced by the main labor-importing countries of Europe was large” (p. 366). Although outflows were also large, as migration to the United States and other immigrant-receiving countries continued, the general assumption in these countries that foreign workers would leave when no longer needed was flawed. Large numbers of immigrants came with their families and stayed, constituting an important source of today’s workforce diversity.

Differences in national population growth rates are likely to make the issue of workforce diversity increasingly salient in Western Europe and Eastern Europe as well, once the economic transition has eased there. The shrinking share of young and new native workforce entrants described earlier should increase the proportion of foreign-born workers and their descendants in Western Europe, even if immigration flows do not rise. Currently, these countries are receiving large numbers of immigrants from Eastern Europe, but the similarity of demographic structures across both regions suggests that current flows will reverse, perhaps sooner rather than later. In that case, Europeans as a whole will increasingly encounter non-Europeans in the workplace.

Absent severe economic reverses, the other developed economies, including oil-producing countries in the Middle East, will also continue to attract foreign migrants, largely from developing countries. From about the mid-1970s, the rapid depletion of the supply of Arab workers made countries in the Gulf region cast their recruitment net eastward to South and East Asian countries. Almost concurrently, the major labor exporters in the Arab region (such as
Jordan and the Yemen Arab Republic) also became labor importers because they had to fill vacancies created by the departure of their workers for employment in oil-exporting countries (Athukorala, 1986). In Kuwait, the population has grown rapidly and changed in composition as a result of work-related migration. By 1985, non-Kuwaitis constituted a full 60% of the population and nearly 80% of the labor force in that country (Al-Tuhaih, 1986).

Although rapid population growth per se is not correlated with growth in emigration, simple population growth means that the same relative flows contain more people. Moreover, there is an association between development and emigration. Improving economic conditions in poor countries give more of their people the resources to take advantage of superior opportunities in countries with relative labor shortages (Commission for the Study of International Migration and Cooperative Economic Development, 1990). Even when these opportunities mean relatively menial jobs that natives often no longer wish to do, the relatively higher wage scale makes migration attractive. After all, a menial job today can provide the seed money for a small business tomorrow or serve as the first step on an attractive career ladder. In short, population trends are making culturally based workforce diversity a fact of life for virtually all industrial countries.

**Worker Migration**

Managing such diversity has certain predictable aspects, if only because worker migrations tend to be geographically and occupationally patterned. Most international migrants head for countries with which they share either an historic relationship or geographic propinquity. European Union (EU) countries that have traditionally been immigrant receivers have long-standing relations with countries in their former colonial empires. In these countries, the proportion of total employment that is foreign or foreign-born is currently steady, though the numbers are substantial.1 For instance, this proportion was virtually the same in 1996 as it was in 1986 in France, the Netherlands, and the United Kingdom (Sassen, 1999). Meanwhile, the proportion of foreign or foreign-born workers has grown in countries like Austria and Germany that are primary destinations for people from neighboring countries in Eastern Europe.

For example, in Germany the fastest growth in the stock of foreign workers between 1985 and 1997 was in people from “other countries” (OECD, 2000). More workers from the traditionally prime sources—Turkey, Yugoslavia, Italy, Greece, and Portugal—still came, but they were each outnumbered by arrivals from “other countries.” Although the statistics don’t identify those countries, based on neighboring Austria’s experience, they are
largely Eastern European. In Austria, the stock of foreign workers grew almost 60% between 1988 and 1999, nearly all from Eastern Europe.

Still, the relatively low level of current cross-border mobility within the EU is evidenced by the general reluctance of most people to migrate for work, given alternative, albeit less attractive opportunities at home. Even though movement within the Union has become easier while earnings differences remain significant, Sassen (1999) reports that in the mid-1990s, only 5 million EU natives were working in an EU country that was not their country of citizenship. In large part, this recognizes the overall success of the EU, as member countries that until recently sent large numbers of worker emigrants—notably Ireland and the countries around the Mediterranean—are now receiving immigrants from outside the Union instead, as well as welcoming return migrants home.

Countries that house communitywide organizations do have high proportions of EU citizens from other countries in their population. For example, in 1998 over one third of Luxembourg’s labor force consisted of EU citizens, as did more than 5% of Belgium’s labor force (OECD, 2000, based on Eurostat Labour Force Surveys). But among most other EU members, only a tiny proportion of the labor force was citizens of other EU countries, ranging from 0.2% in Portugal to 2.8% in Germany.

By and large, most intra-EU worker migration mitigates the diversity challenge because it replicates past flows that were geographically patterned by shared language, culture, or history. For instance, the Irish have historically chosen the United Kingdom over other European destinations; the Italians, Spanish, and Portuguese have chosen France; and the Finns chose Sweden. Many of these migrants have taken advantage of improved conditions to return home, but others have settled permanently in the host country. To the extent that they have not fully assimilated with the native population, they and their descendants represent the first wave of diversity concerns.

The two thirds of EU resident workers who come from non-EU countries exhibit a similar geographic patterning and represent a second wave of diversity concerns—culturally distant, but with a partially shared past. According to Sassen (1999), three in five foreign residents in the United Kingdom are from former colonies in Asia or Africa. Similarly, the Netherlands absorbed large waves of immigrants from its former colony Suriname in response to political problems tied to Suriname’s transition to independence (Dew, 1994). In contrast, the United Kingdom has almost no Turk or Yugoslav immigrants—they tend to be found in Germany. Similarly, the bulk of North African residents in the EU are in France, although Germany has recently expanded its labor recruiting in this region. Spain demonstrates the importance of both colonial relationships and geographic propinquity. In 1998, nearly 75,000 Moroccans were working in Spain; the next largest groups were from Peru (16,000) and the Dominican Republic (13,000) (OECD, 2000).
In consequence, workforce diversity in EU countries has tended to be relatively predictable. Countries with vibrant economies tend to attract immigrants from their former colonies and/or their relatively impoverished neighbors, augmented by workers recruited from such traditional labor-exporting regions as Turkey and North Africa. Although mature migration flows tend to diversify their destinations, new flows, such as those now coming from parts of Asia or Africa, tend to be concentrated along historically traditional lines.

Immigration is beginning to diversify workplaces in some of the former Communist economies of Eastern Europe, including countries that have joined an expanded EU. In the first years after the changeover, immigrants tended to be expatriates returning home, but law and policy changes regarding long-term residency are fostering an intensified immigrant inflow, notably in the Czech Republic but also to some extent in Poland and Hungary (OECD, 2000). By and large, inflows come from neighboring countries, but there is also a significant inflow of highly qualified employees from EU countries to manage subsidiaries set up in Central and Eastern Europe (OECD, 2000). As a result, the Czech Republic has seen an increasing proportion of working-age men in the population, along with an increase in the average level of education. The annual OECD migration report also notes the growing presence of Vietnamese and Chinese communities in a number of countries.

Overall, increasing variety in both the sources and the destinations of worker migrants is making workforce diversity salient in the industrializing world, too. The World Bank (1995) estimates that about one half of the 2 to 3 million new migrants that leave developing countries each year go to other developing countries. Although data in these countries are sparse, they suggest that these migrants tend to stay within their regions—African migrants tend to go to other countries in Africa, Asian migrants to other countries in Asia. For example, many Ghanaians left Ghana in the 1980s with the great majority of them going to Nigeria (Frempomaa, 1986), and Chinese migration to Thailand has been commonplace for decades (Sowell, 1996). Oil-rich, labor-poor countries in the Middle East have been the most notable recipients of worker migrants, especially from a wide range of Asian countries. However, the growing numbers of emigrants from East and Southeast Asia have been seeking a greater variety of destinations—including the Philippines, the Republic of Korea, Japan, the United States, and Thailand (Zlotnick, 1994). Hostile reactions by close neighbors, as when Malaysia expelled thousands of illegal Indonesian workers in 2002, if repeated, also make distant migration destinations more attractive.

The Gulf States are a potentially interesting laboratory for studying workplace diversity because they combine both aspects of international worker migration—very low and very high skill levels—with ethnic and cultural
differences. Oil exploitation in these countries involves large numbers of low-wage, dirty, and dangerous jobs, as well as many highly skilled construction and management jobs. Meanwhile, the resulting oil riches have, until recently, created enough pleasant, largely public sector jobs to employ the native-born workforce. As a result, more than one fourth of the labor force in these countries comes from other countries, ranging from 28% in Saudi Arabia and Oman to more than 75% in Qatar (International Organization for Migration, 2000). It will be interesting to follow developments as some states, notably Saudi Arabia, move into a stage at which ever larger numbers of native-born youth outstrip the ability of the public sector to absorb them, thus forcing diversity in the private sector workplace.

Central America (particularly Mexico) and the Caribbean have been a major source of worker migrants, particularly to the United States. Mexico is by far the largest source of foreign-born labor in the United States, followed by the Philippines and Cuba (OECD, 2000). Joining with large new flows of migrants from Asia, particularly from Korea, China, India, and Vietnam, these immigrants have increased concerns about workforce diversity throughout North America. Overall, however, this region is considerably more favorable to immigrants than is Europe where the effect of immigration on the more homogeneous workforce and societies became an important political issue in several countries as the twenty-first century got under way.

**Occupational Diversity**

The occupational patterning of migrants is also predictable in broad categories, if both sides of the migration equation are considered. On the one hand, migrant workers move primarily in search of higher income. Less obviously, their opportunities and their place in the workforce are determined by the evolution of the receiving economy, as well as by the capabilities they possess relative to workers in the host country.

Analyses that focus on the global division of labor highlight the role of migration in filling low-pay, low-status jobs in the service sectors of developed countries. The resulting workplace diversity is one in which the workers are different from both the employers and the customers, each calling for specialized diversity management. However, in countries where immigrants make up a particularly large share of the labor force, they are dispersed more widely across the occupational and industry spectrum. One clear trend in the industrial countries that are members of the Organization for Economic Co-operation and Development is toward dispersion across industrial sectors; another is an increasing share of temporary and highly skilled workers in the total flows (OECD, 1998). Both trends contribute to broader based workplace diversity.
A long and rich literature explores the diversity of contributions that immigrant workers have made, including fulfilling seasonal demands, making up for shortages of appropriate native workers, or supplying special skills. Currently, two trends dominate the role of immigrant workers in national economies, with different effects on workplace diversity.

First, advanced economies that reward and subsidize high educational attainment are increasingly experiencing a need for workers to perform unskilled tasks, particularly the service tasks that national economies cannot export. These jobs attract people from countries where well-paying jobs are few and wages generally low. In addition to making more money than they could at home, migrants also gain access to a wider array of opportunities—for their children as well as themselves. For example, South Korea, a traditionally homogeneous society, has created a migrant worker program in order to fill jobs that can be described with the “three Ds”—Difficult, Dirty, and Dangerous—because of native South Koreans’ aversion to these jobs during the country’s relative economic prosperity in the 1980s and 1990s (Seol, 1999). Similarly, it was during Nigeria’s period of relative economic buoyancy in the 1970s that many of its neighbors, particularly Ghana, but also Burkina Faso, Togo, Benin, and Niger suffered their worst setbacks. Large numbers of workers from these countries flocked to Nigeria in search of jobs and a better standard of living. There were professionals like doctors, lawyers, engineers, architects, university lecturers, teachers, and nurses; there were middle-level skilled workers such as technicians and artisans for the building industry; and there were thousands of unskilled laborers to fill the gaps shunned by Nigerians, such as domestic workers, construction laborers, conservancy workers, casual dockworkers, and hawkers for the food and beverage industry. Many of these were undocumented or in an irregular situation as regards entry, stay, or employment (Frempomaa, 1986).

The World Bank (1995) has estimated that this type of migration may account for 70% of recent migrant flows. As Sassen (1988) points out, the concentration of immigrant labor in service jobs in developed countries is essentially the counterpart of the export of low-wage manufacturing jobs to developing countries. In both cases, economic integration is making labor specialization into a global rather than national phenomenon. Such migration increases the overall diversity of the workforce in the receiving country but not necessarily the diversity of its workplaces.

Agriculture is a common example of substituting foreign workers for native-born workers. The OECD reports that during the late 1990s, overall employment in agriculture decreased in several European countries while the number of foreign farm workers increased. In contrast, both overall employment and the numbers of foreign workers increased in the services sector in most of these same countries (OECD, 2000). Thus, workplace diversity varies
across economic sectors. Nevertheless, the economic cycle affects all such arrangements, as foreigners’ employment fluctuates more markedly than total employment.

Second, highly skilled people from developing countries often migrate in search of better opportunities than their home economies can offer. India is a notable example of a country whose educational system has outstripped its economic development. Emigration is easier for the highly skilled because they are more likely to have information about employment opportunities, including personal connections or experiences, as well as the resources to invest in migration.

Meanwhile, receiving countries often have special programs to facilitate such migration, especially for temporary workers. For example, the United States saw a dramatic increase in H1B visas during the high-tech industry boom of the 1990s. These visas allowed high-tech employers to import electrical engineers and computer programmers from places such as India and China for up to 6 years. However, when the boom became a bust, the number of visas decreased (from 195,000 visas in 2000 to 65,000 in 2003). Rather than importing workers and paying them relatively higher U.S. salaries, some companies are exporting the jobs to countries such as China and India where they can pay much lower local salaries (Hiltzik, 2003).

The increasing internationalization of Japan’s economy prompted a revision of national immigration policy permitting easier access to temporary work visas by foreign nationals. In response to Japan’s 1990 Immigration Control and Refugee Recognition Act (ICRRA), highly skilled workers in specified areas (e.g., engineering, medicine, law, and investment banking), have migrated from countries such as Brazil, Peru, and the United States (Friman, 2001; Sassen, 1994).

Although there is no indication that the natural human reluctance to leave home and family is any less pronounced among the highly skilled, in some countries policy failures by governments have encouraged large numbers of skilled people to emigrate. Scientists, especially doctors, university professors, and other professionals, have trouble finding work if a country’s educational system has produced more than the country can employ. This is particularly true in countries with policies that depress capital formation and thus the demand for skilled labor (World Bank, 1995). In any case, this migration spreads workforce diversity to a variety of workplaces in receiving countries. Yet migrant workers are often completely disenfranchised. Because they lack political rights enjoyed by citizens and are unable to vote, organize politically, and bring pressure to bear on government, they can be among the most downtrodden in society, working under terms unacceptable to nationals. They are also vulnerable to expulsion if they become too assertive (Cholewinski, 1997; Guerin-Gonzales & Strikwerda, 1993; Linder, 1992).
Whether high- or low-skilled, large numbers of migrants work abroad for a limited period and then return home. In some cases, they may have earned enough money to better their situation at home; in others, the sending economy may have created new opportunities. Ireland used to be an example of the former; now it’s a good example of the latter. Widespread prosperity in the EU has also turned Italy, Spain, Greece, and Portugal from net exporters of workers to net importers.

Meanwhile, there is growing evidence that workers from both high- and low-skill segments think of themselves as part of a cross-border and even global labor market. When travel was costly and difficult, migrants settled in the new country for good, or at least until retirement. Now low-cost transportation and communication technology makes it possible for workers to call two places “home.” Rather than settle permanently in a new country, many worker migrants prefer to maintain their residence in their country of origin if they are allowed to freely circulate. Managing diversity that results from this circular migration may require different tools and policies than managing diversity that represents permanent settlement.

Migration of Employers

In contrast to the previous period of economic globalization (1850 to 1914) when massive emigration of working-age people helped to resolve national imbalances between labor supply and labor demand, the current period of globalization also features mass migration of employers. Essentially, in a liberalized trade environment, transnational corporations (mostly based in developed countries) export capital to reduce their labor costs and, indirectly, create new markets for their products (see Box 5.1). The resulting workplace can feature a cross-cultural confrontation of foreign management and domestic labor, sometimes complicated by in-migration of skilled personnel from still other countries.

Box 5.1 Outsourcing: The Experience for the Displaced Workers and for Those Who Receive the Jobs

Myra Bronstein lost her job when her employer, Watchmark-Comnitel, outsourced the company’s software-testing positions to India. Before she left the company, she had a choice to make. She could either train her Indian replacement or forfeit her severance package. When commenting on her situation, Ms. Bronstein said, “I can assure you that this is one of the most stressful, demeaning, dehumanizing experiences of my life. No
one should have to deal with the issues of being a newly laid off person . . . while at the same time being forced to train their replacements.” Ms. Bronstein is not alone. Many technology workers are given the choice of losing their severance packages or training their replacements (Cook, 2004).

The outsourcing trend is expected to continue. Forrester Research predicts that 3.3 million service jobs in the United States will be outsourced overseas by 2015 (Cook, 2004). Most of those jobs have been going to India where large centers are being built to write software, manage technical support, and provide customer service and other activities for U.S. corporations. The practice came under scrutiny in the United States when the media reported that laid off employees who encountered problems in receiving public assistance in the form of food stamps were calling a customer service center that was located in India. The irony was not lost on public officials who ordered the subcontractor to relocate the food stamp customer service center back to the United States (MacPherson, 2004).

The reason for the outsourcing is obvious: cost savings. For example, Indian computer programmers earn about $12,500 annually, which is one sixth the average of U.S. programmers (Drajem, 2004). Sherry Toly, spokesperson for Watchmark-Comnitel, summed up the company’s decision to outsource positions to India. “The situation was to close our doors or look at ways to reduce our operations so we can stay in business during a very, very difficult time” (Cook, 2004).

What does outsourcing mean to the workers in India? Some think that at such relatively low wages, the workers in India are living close to poverty, or worse. In fact, for college-educated young people in India, a job at a call center is considered a plum position (“The Good Life,” 2003). Though the work may involve long hours on the phone or at a computer terminal and working around the clock, the pay is good relative to other jobs in India, and the work environment is typically pleasant. These jobs are highly desired by young educated people because of the scarcity of jobs in India, and often thousands of job seekers show up for job interviews when a new center opens up. Not every employer who has outsourced work is happy with the results. Wesley Bertch of Life Time Fitness had an Indian company write software for his company. He was initially drawn by the rate of $6 per hour, compared with $60 per hour for U.S. programmers. However, after receiving software filled with bugs, and then being charged to fix the errors, Bertch regretted his decision. Bertch has joined a growing number of businesses, such as Lehman Brothers, Capital One, and Dell Computers, which have reversed their outsourcing decisions and returned positions to the United States (Stone, 2004).
Foreign direct investment (FDI)—the net amount of investment by nonresidents in enterprises in which nonresidents exercise significant management control—is an imperfect but nonetheless useful measure of this change because it is directly tied to production.\textsuperscript{6} Foreign direct investment has increased considerably as a proportion of the world’s capital formation, according to the United Nations Conference on Trade and Development (UNCTAD)—from 2\% to 14\% over the past two decades (United Nations, 2002). In turn, employment by foreign affiliates grew from 17.5 million in 1982 to 54 million in 2001. Indeed, foreign affiliates now account for one tenth of world GDP, and their sales of almost $19 trillion were more than twice as high as world exports in 2001. (As recently as 1990, their sales and world exports were roughly equal.)\textsuperscript{7}

UNCTAD counts some 65,000 parent firms with around 850,000 foreign affiliates, spanning virtually all countries and economic activities. However, the bulk of this investment (over two thirds in 2001, according to UNCTAD) flows between the industrial economies, creating various forms of workplace diversity.\textsuperscript{8} Sometimes the diversity impact is restricted to cultural differences in the executive suite, as in the merger/acquisition of the U.S. car producer Chrysler and the German producer Daimler-Benz. The German chairman of DaimlerChrysler, Juergen Schrempp, fired several leading executives at the Chrysler division in 2000, including American unit president James Holden, who was replaced by longtime Mercedes-Benz executive Dieter Zetsche. Schrempp, who laid off more than 40,000 employees after taking over Daimler-Benz in 1995, picked Zetsche because of his reputation for slashing jobs to cut costs. Indeed, soon after he was hired, Zetsche directed the layoff of 20\% of the U.S. workforce at DaimlerChrysler’s truck division, Freightliner, eliminating 3,800 jobs after orders fell. When the merger took place in 1998, top Chrysler officials made tens of millions of dollars in buyouts and other bonuses before leaving the company, with little regard for the long-term health of the business or its employees. Because of “golden parachute” clauses, which provided especially generous stock options in the event of a takeover or merger, former Chrysler CEO Robert Eaton personally netted $62.9 million (Roberts & White, 2000).

At other times, FDI pits managers from one country against workers in another, as exemplified by trade union and gender-based challenges to Japanese car executives in their U.S. plants. The Mitsubishi plant in Normal, Illinois, was one of the most automated yet least productive plants in the industry. It was also known for the abusive, humiliating—and illegal—way female workers were treated. Remarkably, the plant now is held up as a model of workplace reform, thanks to training, a zero-tolerance policy on discrimination and sexual harassment, and a mission statement that puts respect for others ahead of even vehicle quality.
Japanese management had been thinking of closing the plant due to the negative attention it was receiving. In 1998, Mitsubishi agreed to pay $34 million to settle a sexual harassment lawsuit brought by the Equal Employment Opportunity Commission on behalf of 500 female workers at the plant. The high-profile case dragged on for 3 years, sapping worker morale already depleted by a distant relationship between American workers and Japanese managers. The lawsuit told a story of a bleak workplace: sexual graffiti written on fenders about to pass female line workers, pornographic pictures taped on walls, male workers taunting women with wrenches and air compressors, and women who complained of being fired or passed over for advancement. Then in 2001, while the American plant manager and his team were working on changing the plant’s culture regarding attitudes toward women, Mitsubishi agreed to pay a multimillion-dollar settlement to African American and Hispanic workers who were claiming racial and job discrimination. To the extent that strengthening the capacity for innovation is behind many of these joint ventures, managing workplace diversity can involve managing differences among employees who are relative equals in terms of workplace status and are affected by unacceptable breaches in their human rights.

The smaller but growing share of direct foreign investment going to developing countries has received more attention, in part because the diversity implications can be encouraging on the one hand, but troubling on the other. Essentially, declining transportation and telecommunications costs have combined with trade liberalization, capital mobility, and globalizing markets to integrate economic activity around the world (Perraton, Goldblatt, Held, & McGrew, 2000). These cost declines have combined with trends in labor supply to shift much manufacturing for the world market to several developing countries (Bloom & Brender, 1993). Indeed, the global slowdown that followed the peaking of world GDP in 2000 intensified competitive pressure on transnational corporations, thus accentuating the value of lower-cost locations.

Perhaps for this reason, foreign direct investment in developing countries has proved relatively resistant to broad economic downturns. The UN reported that on a net basis (inflows less outflows), FDI flows were the only positive component of private capital flows to developing countries and transition economies during 2000–2001 (United Nations, 2002). However, these flows are unevenly distributed. In 2001, the five largest recipients accounted for more than 60% of the total inflows into developing countries (led by Mexico, China, and South Africa) all with large and growing underemployed workforces.

In addition to employing underemployed workers, such investment can support the development of the host economy by increasing access to technology, workforce quality, or export potential. Concerns arise when the investment exploits and abuses the country, particularly its natural and human resources. For example, in 1984 in Bhopal, India, because of low safety standards,
an explosion at the U.S.-based Union Carbide chemical plant released a deadly gas that formed a cloud over a large populated area resulting in an environmental disaster and the death of an estimated 2,500 people (see Box 5.2). In other instances, export-oriented manufacturers may “slice the value chain” to remove labor-intensive, low-skill processes to countries with large numbers of people willing to work for low wages. Although in some cases these workers may improve their income, or acquire new skills, in other cases, workers may be exploited and even abused, as documented by organizations advocating the institution and implementation of minimum labor standards.9

Box 5.2 The Bhopal Disaster: Economic Exploitation and Human Tragedy

In the early morning hours of December 3, 1984, the U.S.-based Union Carbide Corporation’s chemical plant in Bhopal, India, exploded, killing thousands and creating the worst industrial disaster the world has seen. The Bhopal gas-lease disaster has raised a number of complex legal, ethical, economic, technological, sociopolitical, and ecological questions and issues (Dias, 1997). More than 10,000 people were killed (several thousand immediately and many more later as a result of injuries and diseases) and estimates put the numbers of people injured or disabled as a result of the explosion at about 2 million. Whole communities were displaced and impoverished. Commenting on the settlement reached by the Supreme Court of India in 1989 (the original claim of US$3 billion was settled for only US$470 million—a settlement considered by many jurists and human rights activists as grossly unfair)—Justice P. N. Bhagwati noted, “The Court order places the value of Indian life at a ridiculously low figure because, after all, we are browns and blacks and not favored whites!”

Union Carbide initially blamed the Bhopal accident on Sikh terrorists. Later, the company blamed it on disgruntled employees who tried to sabotage the plant. However, most experts agree that the accident resulted from Union Carbide’s use of inferior safety standards at the Indian plant, compared with those found in the United States. One example of the differences in standards is the leak detection system that was used. At Union Carbide’s Virginia plant, a computerized system was installed that kept track of pressures, temperatures, and chemical levels, indicating where a leak was occurring. At the Bhopal plant, gas leaks were detected by human sight or smell (Bhargava, 1986).
Implications for Diversity of Gender, Disability, and Sexual Orientation

Whether positive or negative, workplace diversity is an issue. Migration of both people and employers not only puts people from different countries into the same workplace, it also imports their cultural dispositions regarding other forms of diversity. Racial, ethnic, and religious diversity are almost a given in most situations involving cross-national origins. Age diversity can also be an issue because migrants tend to be young; and so can disability, because migrants tend to come from countries where there are not sufficient jobs to go around and investing in the disabled can be considered a “luxury.” Probably the most sensitive and least discussed form of diversity relates to sexual orientation. Cultural taboos can bring a strongly disruptive element into workplaces where law and custom join to protect a range of choices.

Gender diversity is a major issue in most immigrant-receiving countries, though in some areas such as the Gulf States, women typically work in separate occupational and physical environments. Kati Marton, the chair of the International Women’s Health Coalition, notes, “Women suffer countless disadvantages compared with men. Even after decades of progress, we make up two thirds of the world’s 880 million illiterate adults, and up to 70% of its poorest citizens” (2004, p. 94). A notable concern is the widespread employment of young women in export-manufacturing zones, reportedly because their culture and traditions make them malleable and easy to exploit (Elson, 1999). Southeast Asian girls, exploited economically and physically by older men from wealthier Asian countries, are probably the most negative image of today’s workplace diversity. On the other hand, migration of employers, employees, information, and technology between countries can increase workers’ awareness of their rights in the workplace (see Box 5.3).

Box 5.3 Sexual Harassment and the High-Tech Industry

The United States and India are closely bound in the global computer software industry, and several Indian software exporters have affiliates in the United States, including the largest: Infosys Technologies Limited. The U.S.-based company’s highest-paid employee, the head of global sales and marketing, resigned in 2002 after his executive assistant sued him and the company for sexual harassment (Arnold, 2002). According to the newspaper account, “The lawsuit... sent Indian software
These examples point out the multiple aspects of diversity in the workplace. Managing all these forms of diversity in an increasingly cross-national workplace requires an understanding of cultural differences. Where migrant workers are involved, employers need to effectively communicate the host country’s workplace norms. Where migrant employers are involved, managers may have to address multiple constituencies, at home as well as in the host country.

**Educational Trends and Workforce Diversity**

The other important demographic element that has broad implications for diversity in the global workforce is the rising level of educational attainment around the world (see Table 5.1). In the developed regions, secondary education has become virtually universal for both men and women, although enrollment rates have declined in Eastern Europe in the transition from communism to a market economy (United Nations, 2000b). Meanwhile, enrollment rates are increasing in developing countries, though more slowly for women than for men. Approximately 90% of young people are enrolled in school in South America and the Caribbean, Central Asia, and (for boys) Eastern Asia. Even in sub-Saharan Africa and Southern Asia, enrollment ratios are improving.

---

**Box 5.3 (Continued)**

Companies scurrying to make sure their policies comply with United States law."

Although Indian laws defined sexual harassment in the workplace in 1997, human resource specialists there said the issue had been largely ignored, in part because in India, women feared the stigma attached to reporting. However, in this industry large numbers of Indians work in overseas offices and at customer sites, making multicultural interaction more frequent and more fraught. After the litigation at Infosys, one large firm undertook an audit, put its reworked policy on its intranet, and increased cross-cultural sensitivity training for employees. Another firm with multiple overseas offices undertook a worldwide review of its employee conduct policy, which had been culture- and country-specific. As one executive put it, “We are sensitizing our managers in issues like gender discrimination, noncompetitive behavior, and age discrimination.” And the Infosys chief executive concluded, “Multicultural interaction is becoming a very important part of our work environment.”
Enrollment in higher education is also increasing around the world, although developed countries still maintain a substantial advantage, especially in the English-speaking countries outside Europe and Japan (i.e., “other developed countries” in Table 5.2). Enrollment ratios are also relatively high in countries in Eastern, Central, and Western Asia, and are rising in many South American and Caribbean countries. In a few places around the world, such as the Barefoot College in Tilonia, India, innovative educational initiatives are
helping the rural poor in developing countries to improve their lives through educational attainment (see Box 5.4).

Box 5.4  
Barefoot College: Educating the Rural Poor

Urban engineers in India said it was technically impossible to build hand water pumps in Ladakh, a remote Indian region in the Himalayas at an elevation of 15,000 feet. However, a group of mostly illiterate drillers proved the engineers wrong. Not only did they install the pumps, but they also managed to get them to work throughout the winter when temperatures drop to –50 deg C (–58 deg F). Now, over 50,000 people benefit from the use of these hand pumps (“2004 Tyler Laureates,” 2004). These illiterate drillers are a small sampling of the people who have benefited from Bunker Roy’s Barefoot College.

Founded in 1986, Barefoot College was designed to alleviate the suffering of the rural poor in India. The school is located in Tilonia, a village of 2,000 people in Rajasthan, one of India’s largest and poorest states where over 45% of men and 80% of women are illiterate. Additionally, more than half of the children between the ages of 6 and 14 do not attend school (“Barefoot College,” 2003).

“We believe that paper-qualified, urban-trained experts and professionals can easily be replaced by people from the village,” says Mr. Roy. “People in Tilonia do not need knowledge; they need confidence and assurance that the skills they already have are enough to improve their quality of life” (“Barefoot College,” 2003). Barefoot College has helped students learn to be effective teachers, doctors, health care workers, solar engineers, hand pump mechanics, designers, accountants, and communicators (“Barefoot College,” 2003). The end result is that the school has helped create jobs for nearly 7,000 people, including women and youths (United Nations Environment Programme, 2004). The benefits of Barefoot College do not end with the creation of jobs. It is also educating the next generation with its night schools. Over 150 schools were created to meet the needs of children who cannot go to school during the day, typically because they are too busy grazing sheep and goats. Therefore, the classes are offered at night and taught by local residents who have been trained at Barefoot College.

Contrary to typical trends in developing countries, the night schools have attracted more girls than boys, thanks to the advanced lighting system they use. The lighting increases the school’s safety,
which increases the likelihood that parents will send their girls to school (B. Roy, personal communication, April 28, 2004). Barefoot College has earned awards from such prestigious organizations as the United Nations. Its accomplishments span an array of areas, including the environment (for powering the schools with solar electricity), children’s parliament (which manages the night schools), promoting volunteerism, social entrepreneurship, and education. If imitation is the best form of compliment, then Bunker Roy and Barefoot College have received that honor as well. India’s Department of Education has adopted the night school idea and approved the creation of 275 additional night schools in eight states (“Barefoot College,” 2003).

Table 5.2  Trends in Postsecondary Education (enrollment per 1,000 population)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Africa</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Rest of sub-Saharan Africa</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Latin America and Caribbean</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caribbean</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Central America</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>South America</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Asia</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>South-eastern Asia</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Southern Asia</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Central Asia</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Western Asia</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td><strong>Developed regions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Western Europe</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td>Other developed countries</td>
<td>33</td>
<td>38</td>
</tr>
</tbody>
</table>

Taken together with population growth, educational improvements in the developing world are changing the comparative advantage of different populations in the global workforce. Although the developed countries will continue to have the world’s best-educated populations, they account for a decreasing share of the world’s educated working-age people. China alone will have more working-age people in all educational categories than Europe and North America combined by 2020 (Lutz & Gui, 2000). Even if the pace of educational improvement in the developing countries falters, simple population growth will give these countries a majority of people aged 20–65 with a higher education by 2030, according to preliminary estimates from the International Institute for Applied Systems Analysis (IIASA). Already, the majority of adults who possess a secondary education (generally equated with the skilled workforce) live in the developing world (Lutz & Goujon, 2001).

The same combination of population and educational trends is also growing the less educated or unskilled population in developing countries, particularly in South Asia and sub-Saharan Africa. The numbers of adults with no education at all will continue to grow in sub-Saharan Africa and the Middle East over the next three decades, according to the IIASA estimates (Lutz & Goujon, 2001). The numbers with a primary education will grow substantially in all developing regions (except China and Central Asia, where growth will be most intense among working-age people with a secondary education).

Thus, from a labor supply standpoint, the world’s working-age population at all educational levels is shifting from the developed to the developing world. Other things equal, the extent to which these economies absorb these workers productively will influence how many of them migrate in search of employment or how many transnational employers move to the developing world to find employees. Either outcome will increase diversity in workplaces around the world.

This broad-based improvement in the educational level of the global workforce also suggests an improved context for managing and implementing inclusive workforce policies. Ignorance is generally related to intransigence regarding interpersonal differences; education to greater acceptance of those differences. Already surveys suggest that contemporary young people are more tolerant than their elders regarding many kinds of diversity, if only because global information and entertainment networks have increased their shared knowledge.

**Summary and Conclusion**

Workforces are becoming increasingly diverse, due largely to the interaction of demographic trends and economic evolution and to the successes of the international human rights movement. These trends should continue to promote diversity in the global workplace although the social tensions they
engender, along with broader economic or political failures, could set them back in the short term. By and large, though, managing workforce diversity effectively will be necessary in a globalizing world and also benefit national economies as well as national and international employers.

For instance, countries can enhance their economic success via their ability to welcome workers from other countries. This is especially true for countries that are experiencing tight labor markets, either because economic growth is outpacing labor force growth or a particular sector needs staffing up. Ireland offers a useful example, as the government helped create a comparative advantage for transnational firms’ sales and support call centers. As a result, some companies are concentrating their European operations under one Irish roof, bringing in natives from all over Europe to help their compatriots with their purchases—in their own language—when they dial a toll-free number from home (Cowell, 2000). Where public policy deliberately creates diversity, managing it requires attention from both government and society, including help if economic conditions change and foreign workers need or want to return home.

The globalization of information and entertainment, hastened by the Internet, is reaching virtually everywhere and, in the process, promoting more encounters among diverse people. Young people are more inclined to use these communications channels and thus to take these encounters for granted, fostering their acceptance of diversity. As diversity becomes more widespread, they may become impatient with elders who display the old reticence, or old patterns of discrimination.

At the same time, traditionalists may find it difficult to change long held attitudes and beliefs. This is the more likely to the extent that these attitudes are rooted in religion, which so many cite to explain their reluctance to accept workers who have diverse sexual orientations. And both governments and employers can be daunted by the financial costs of accommodating worker diversity, such as retooling the workplace to meet the needs of persons with different physical abilities.

Thus, part of the challenge of managing workforce diversity is managing the diversity of people’s preconceived notions about those outside their own mainstream culture, especially those notions acquired when social norms and economic needs were different. In that sense, the demographics of diversity include managing the demographics of past attitudes as well as future workforce trends.

Notes

1. Migration figures should be viewed with caution, as described in Chapter 4, Note 5.
2. Sassen (1999) provides a good historical overview from the European perspective.
3. This choice is facilitated by the growing acceptance of dual nationality.

4. Sassen (1999) offers the examples of Polish women working as cleaners in Germany and Africans working in Italy. Street peddlers, selling objects made at home, are a common example; so is the growing number of computer-related technicians.

5. Williamson (1998) offers an insightful comparison of the current and early period of globalization, along with an instructive account of the earlier antiglobalization backlash.

6. For instance, FDI measures understate the growth of transnational corporations, which finance much of their growth internally or from capital markets (Perraton et al., 2000).

7. Note that just after this snapshot was taken, a global economic slowdown took place. How much the slowdown affects this relationship will be a good indicator of its staying power.

8. The United States received over a third of total FDI inflows in 2001. (United Nations, 2002)

9. Kabeer (2000) provides an example of the difficulty of making this distinction. She found that work in an apparel factory was socially as well as financially empowering for Bangladeshi women, who are normally tightly controlled by family members. A particularly interesting insight came from the women who told her that being locked into the factory was a form of maintaining their purdah (seclusion) and thus a necessary condition for them to be able to work. This stands in sharp contrast to the Western activists who use such conditions as “proof” of exploitation.