

Living in a globalised world



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Contents

Introduction	5
Learning Outcomes	6
1 From global factories over there ...	7
1.1 Introduction	7
1.2 Offshore fragments of industry	8
1.3 Activity 1	10
1.4 Offshore fragments of industry: the negative standpoint	10
1.5 Offshore fragments of industry: a pro-market standpoint	12
1.6 Defining global markets	12
2 While watching the video	15
2.1 Learning from video footage	15
2.2 The purpose of this activity	16
Conclusion	19
Keep on learning	20
References	20
Acknowledgements	21

Introduction

This course interrogates the idea of a globalised world by showing how inequalities in access to material wealth and expectations of lifestyle, which have been created historically between the US and Mexico, produces border tensions as Mexicans seek entry to the US to do jobs that resident American citizens will not undertake for the wages offered. It is particularly relevant currently in the context of debates about free trade and movement of workforce to where they could find work, and that many developed economies in particular at the moment are reliant on immigrant labour to work in areas in which their own citizens will not.

This OpenLearn course is an adapted extract from the Open University course [DD205 *Living in a globalised world*](#).

Learning Outcomes

After studying this course, you should be able to:

- understand some of the key ways in which globalisation is shaping the world today
- give examples of how ideas of 'proximity' and 'distance' can be used to understand an increasingly demanding world
- illustrate the importance of recognising the liveliness of the natural world.

1 From global factories over there ...

1.1 Introduction

Looking back over the 1970s, it is perhaps hard now to appreciate just how dramatic were the changes to the global map of industry taking place at that time. As more and more of the world's industry shifted from the affluent nations to the poorer, less developed countries in search of a cheaper labour force, the global economic map had to be redrawn to take account of the borders crossed and the distances traversed by firms from wealthier countries seeking to generate higher profits by relocating their manufacturing and assembly operations elsewhere.

Among the many factors which heralded this global upheaval was the ability of firms to separate out routine industrial tasks from the rest of their business: to be able to divide the simple, low-paid work from the activities of research, marketing, administration, management, and so on. Much debated at the time among academics and politicians, this geographical separation of tasks was a real departure from what had gone before, where the economies of North America and Europe had manufactured almost everything, and the rest of the world, or what seemed like it, exported raw materials and foodstuffs to the industrial countries. Where before goods were made in one country, components were now increasingly drawn from across the globe before final assembly. To put a pair of trainers together, for example, may well have involved sourcing the rubber from one country, the air soles from a second, and the dyes from a third, with the finished article finally stitched together in factories elsewhere. Driven by North American and European firms, cheaper locations such as Hong Kong, Singapore, South Korea, Taiwan and Mexico became host, for the first time, to global factories: factories which produced goods, not for sale in their own local markets, but, and this is the main point, for *re-export to the West*.

Defining developed and developing countries

At the end of the colonial era, as many new nations gained independence, relative levels of economic development became an important criterion by which to distinguish between countries. The former colonial powers and wealthier parts of the world generally became known as advanced industrial, or *developed*, countries, while former colonies and poorer nations became known as *less developed*, or more positively, *developing* countries. Critics of the uneven distribution of wealth across the globe highlighted the role which wealth creation in some places had played in impoverishing poorer nations and, rather, described them as actively *underdeveloped*. The question as to whether economic change is developing or underdeveloping countries remains a vital issue, as the debate over sweatshops highlights.

Perhaps not surprisingly, curiosity about these 'global factories' revolved largely around questions of geography. Why over there rather than over here? Why cross such distances to produce what could be made at 'home'? The advantages of a cheap labour force

recruited and trained to produce what turned out to be a rather narrow range of consumer goods with limited technology or investment topped the list of responses. Low-cost locations, or more accurately low wages, offered a competitive edge in global markets much sought after by North American and European firms. Such an edge heralded the beginning of 'offshore' production and what, nowadays, has become known as global 'outsourcing'.

1.2 Offshore fragments of industry

The rise of global factories in the 1970s owed much to the rapid improvement in transport and communications technologies which took place at that time and which made it possible to keep in touch with, and control, production processes in different parts of the world. Just as significant was the fragmentation of industrial production whereby *parts* of the manufacturing process could be relocated over vast distances. Sewing in garment and footwear production, for instance, was among the first activities to be relocated to East Asian destinations, as was the assembly work in electronics and toys. Production in both these cases could easily be transferred offshore, in contrast to, say, those tasks which required complex and specialist technologies or expensive capital investment to set up a factory outlet. Interestingly, it would have taken little in the way of investigative zeal to piece together the emerging geography of this new low-cost landscape. A quick glance at the label inside a pair of sports trainers or at the side of a glossy Matchbox toy would have revealed the whereabouts of its offshore production. Japan figured prominently in those days, as did Taiwan and South Korea, and a map of offshore locations targeted by Western firms could have been quickly drawn on such a basis. Such a map would have revealed what became known at the time as the new international division of labour (see [Figure 1](#)).

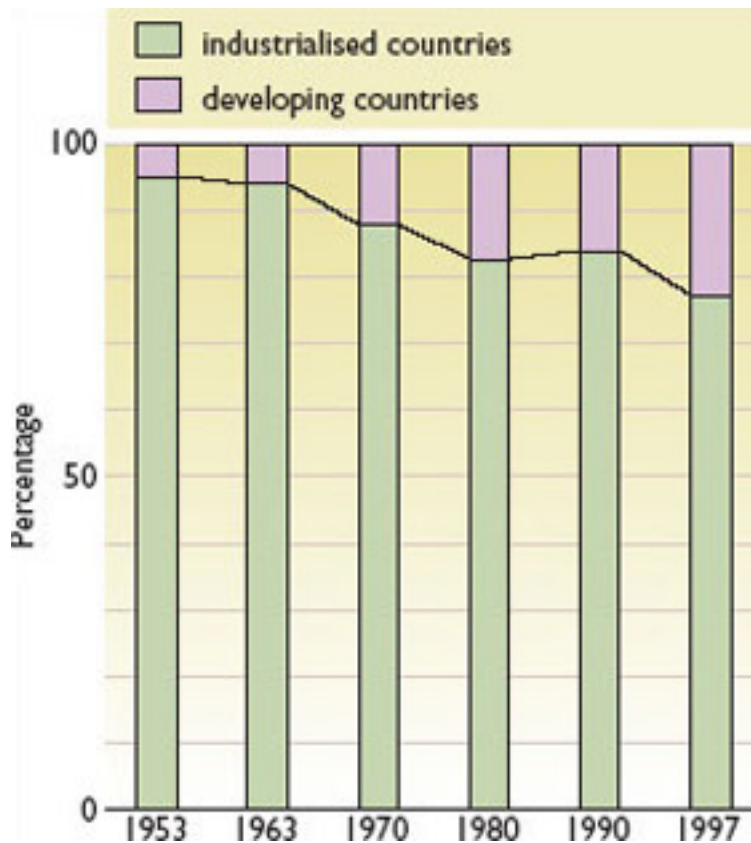


Figure 1 Changing distribution of world manufacturing production (UN estimate) between industrialised and developing countries, 1953–97. Source: Dicken, 2003, p. 38

Defining the new international division of labour

The new international division of labour (NIDL) took its name from the fact that, in contrast to what had gone before, firms from the Western, industrialised countries, especially the USA and in Europe, started to invest directly in the 'Third World', as it was then called. Whereas poorer, 'Third World' countries had previously mostly exported raw materials and minerals, now they became involved in exporting manufactured products. Through a process of foreign direct investment, Western firms established increasing numbers of branch plants in the poorer economies of the global 'periphery'. At the same time, factories in the core, industrial nations closed and workers were laid off, resulting in a process known as 'deindustrialisation'. The loss of manufacturing jobs in the 'core' economies, however, was mirrored by the growth of manufacturing jobs at the global 'periphery' (although the two were not always directly related) – in economies which subsequently became known as the Newly Industrialising Countries (NICs). The 'Asian Tigers', namely Hong Kong, Taiwan, Singapore and South Korea, were a significant part of the NICs, as were Mexico and Brazil. [Figure 6](#) shows the changing distribution of world manufacturing between the 'core' and the 'periphery' from the 1950s on. Note how the proportion of manufacturing in the developing countries increased from the 1970s through to the end of the twentieth century.

What such a map would have failed to reveal, however, was the changing nature of the *connections* put in place by Western firms as they shifted work around the globe. It is often assumed that when Western firms, or any firm for that matter, reach out across borders to establish a factory outlet here, an assembly plant there or a subsidiary in some

far-off location, they do so through *directly* investing and thereby wholly owning such facilities. In the 1970s and 1980s, among the low-cost manufacturing overseas operations, this was indeed often the case, but increasingly Western firms started to conduct their business at-a-distance through a variety of *indirect* means, of which subcontracting became the principle arrangement. Subcontracting is a way of putting out work to partner firms on a defined, contractual basis, where the tasks involved are specified precisely, as are the turnaround times and the quality of the finished goods. As a business arrangement, it is more flexible than owning factories overseas and more enforceable than a straightforward market exchange relationship.

1.3 Activity 1

Activity 1

Before you read on, I would like you to dwell for just a moment on the significance of this shift from direct investment by Western firms to the establishment of subcontracting ties with overseas partners. Aside from outside firms being able to pass on to the subcontractor the economic risk of supplying a particular good, this relatively new global arrangement made it easier for firms to change subcontractor should they fail to meet their production demands and prices.

How, then, would you begin to draw up the lines of responsibility for, say, the production of a pair of sports trainers in a small independent factory in Thailand contracted to a global 'brand' name such as Nike? Is Nike ultimately responsible? Is it solely down to the factory owner? Read the next subsection before you make up your mind.

1.4 Offshore fragments of industry: the negative standpoint

Nike Inc., the US sportswear firm, did in fact take the lead in organising its overseas manufacturing business on a subcontracting basis (Donaghu and Barff, 1990). Early on in the 1970s, it established a web of contractual relationships (or partnerships, as it preferred to call them), with factories in Taiwan and South Korea, to produce its branded footwear. Of these factories, the big-volume producers among them were also contracted to other Western firms to produce a range of footwear. Nike maintained an arm's length relationship with most such producers, but with others it established closer ties to produce its 'top-of-the-range' footwear. These factories, in turn, often subcontracted the majority of their routine and standardised work, as well as their material-sourcing requirements. A decade or so later, Nike also developed subcontracting links with factories in China, Thailand and Indonesia in an effort to further diversify its assembly operations. These factories, as before, formed part of a more extensive network of subcontracting operations through which component and subassembly work was outsourced.

So, by the end of the 1990s, Nike had an estimated 800 contracted suppliers worldwide, with approximately half that figure located in Asia, and many thousands of manufacturers tied indirectly into its business operation. Between them, this network of partners, volume

producers, component and subassembly firms manufactured for Nike around 175 million pairs of shoes each year (Hartman and Wokutch, 2003). Far from unusual, this complex, fragmented supply network, conducted largely at arm's length on a contract basis, became something of the norm for the global factory business. Gap Inc., the high street clothing chain, for instance, which subcontracts its garment production worldwide, has ties with around 2000 factories in Asia where workers sew and assemble its products (Gap Inc., 2004). Like Nike, it has a complex set of sourcing arrangements whereby it selects and places orders with manufacturers around the globe who, in turn, subcontract their basic, routine and material operations. Realistically, then, the merchandise that it sells in its retail stores in the West and beyond may have passed through dozens of hands, factories and firms and across any number of international borders before reaching the shopping mall.

A shirt on sale in one of Gap's many European stores may have been cut, trimmed and sewn by factory hands, or even by home-based workers, in, say, Cambodia or the Philippines, with little more than scissors and a sewing machine; yet we would be hard pressed to know precisely how this set of events came to pass or, indeed, whether the lines of responsibility are known. In between, a chain of buyers and suppliers, trading companies and sourcing agents, place their orders, purchase materials, coordinate production schedules and conduct their contractual business in a way that fragments responsibility into such small measures that it could be argued that no one can reasonably be held to account. The market *alone* seems responsible for how things come together, how something like a shirt's design, sourcing, production, assembly and export are pieced together through a series of commercial contracts.

This might help to explain why the harsh realities of life in what appear to be remote factories initially failed to register at the headquarters of the big Western firms (Hartman et al., 2003). Along with the fragmented geography of manufacturing production, it is possible to find a parallel fragmentation of responsibility, as the global marketplace makes it just that much more difficult to know who, if anyone, should be held to account for, say, the corners cut in producing goods on time or the safety measures compromised to get an order out that week. In that sense, the workings of the global market not only tangle and complicate the economic relationships involved, they also enable the actions of those overseas to be perceived as *distant* and *beyond the control* of Western companies, no matter how well intentioned their management may be. By distant here, I mean that the contractual arrangements of the marketplace made everyday life in global factories seem not just far away to many boardroom executives, but too remote to do anything about anyway. Besides which, why should they feel responsible for factories that they did not own in the first place?

Even the use of the term 'offshore production', to describe the relocation of industry, is not entirely innocent in this respect, with its connotations of faraway locations, rather than those which might be merely on the other side of an international border, as is the case with US firms outsourcing production to nearby factories in Mexico.



Figure 2 Land available to build maquiladoras, foreign-owned factories, in Mexico, close to the US/Mexico border

1.5 Offshore fragments of industry: a pro-market standpoint

From a pro-market standpoint, global market forces and the competitive pressures that they generate leave businesses with no choice but to take advantage of lower labour costs elsewhere. In the textile business or the toy business, lower wage costs are the key to profitability; if your competitors find a cheaper labour source, you either follow their example or go out of business. It is not, so the argument runs, because managers lack integrity or compassion that there are now more manufacturing jobs in the developing than the developed world as a result of the geographical relocation of industry; rather, it is because 'the market' dictates such a change.

1.6 Defining global markets

Global markets for manufactured goods, as opposed to, say, primary commodities such as oil and timber, arose largely in the second half of the twentieth century as trade between countries intensified. The lowering of transport costs and the relative fall in trade barriers enabled firms in one country to compete with a domestic rival in another. The supply of

manufactured goods across the globe as a result of worldwide demand, principally from the affluent economies, thus heightened competition between firms across, rather than within, national borders. The ability to access global markets through a firm's cross-border activities on a subcontract basis, in that sense, represents an extension of the global trading system. As part of the new international division of labour there is now a global market for material and component parts as well as finished goods. In each case, the uneven geography of labour costs in manufacturing forms part of a firm's decision about where to source these different elements. [Table 1](#) gives an indication of the variations in labour costs across a range of countries.

Table 1: Labour costs per worker in manufacturing, 2000: selected countries

Country	Labour force (million)	Labour cost per worker in manufacturing (US\$ per year)	Value added ¹ per worker in manufacturing (US\$ per year)
China	756.8	729	2885
India	450.8	1192	3118
USA	144.7	28,907	81,353
Indonesia	101.8	3054	5139
Brazil	79.7	14,134	61,595
Russian Federation	111	1528	n.d.
Bangladesh	69.2	671	1711
Japan	68.3	31,687	92,582
Germany	40.9	33,226	79,616
Mexico	40.4	7607	25,931
Thailand	36.8	3868	19,946
Philippines	31.9	2450	10,781
Turkey	31.3	7958	32,961
UK	29.9	23,843	55,060
Ethiopia	27.6	1596	7094
France	26.7	n.d.	61,019
Italy	25.7	34,859	50,760

Note: n.d.=no data.

¹Value added measures the estimated monetary value added to goods by the labour of each worker over a year.

Source: adapted from Castree et al., 2004, p. 10, [Table 1](#), based on World Bank data.

Those very same global market forces are also held responsible for why firms such as Nike and Gap have continuously shifted their assembly work from one country to the next since the 1970s. Faced with price competition in their own retail markets, the big retailers responded to rising wages in places such as Hong Kong, Taiwan and South Korea by switching production to the Philippines, Malaysia and Thailand and, later, to China, Vietnam and Cambodia, in their quest to reduce operating costs. The failure to meet the

turnaround times specified in a contract or to adjust to the fluctuation in orders demanded by a contractor, or simply rising wage costs, could all equally trigger the search for a new, more competitive location. While some work in the footwear and electronics industries required a level of expertise not easily maintained by constantly switching suppliers, the basic nature of much clothing and textile production made it particularly vulnerable to the threat of relocation on the basis of cost. In response to clear market signals, many multinational firms simply took advantage of the uneven geography of economic development, as it was at the time. But they were not alone in doing so.

By the end of the 1990s, these multinational firms had been joined by successful Hong Kong and Taiwanese trading companies and sourcing agents who themselves moved work and contracts 'offshore' to mainland China, Cambodia and other parts of East Asia to lower costs. Of the 3000 clothing factories currently operating in Guangdong Province, a region just across what was until 1997 the international border between China and Hong Kong, it is estimated that around half are run by Hong Kong manufacturers (Liu, 2003). For firms, whether big or small, wherever they originate, the process of moving jobs around the globe in this way is now claimed as a run-of-the-mill aspect of globalisation. The process of outsourcing may have started with shirts and shoes, calculators and cuddly toys, but it now encompasses anything from microwaves, software design, computer programming, accountancy and insurance underwriting to clinical pathology services. So, what started out as a movement offshore of Western industrial jobs has, it would seem, turned into a global demand from countries such as India and China to act as outsourcing centres for manufacturing and service work of all kinds, from many different countries, including just about anything that can be sent down a wire (see HSBC, 2003; Indian Chamber of Commerce, 2004).

On this account, urban locations such as Hyderabad, Bangalore and Mumbai in India and Guangzhou, Shanghai and Shenzhen in China are not merely the offshore targets of Western outsourcing demands; rather, firms from these countries are accelerating the process by exploiting their own comparative, geographical advantages. If work moves from Singapore, the UK or the USA to India and China because the know-how, skills and human resources are available there for a fraction of the cost back 'home', that is precisely because Asian entrepreneurs are actively seeking to capture the work from abroad. They may still be largely producing goods and services for distant users, but they do so as part of a global contractual business that *fragments* both production and responsibility across borders, between Asian and non-Asian firms alike.

It is difficult to know for sure what this movement of work so far and, in some cases, so quickly, will mean for the livelihoods of workers in the poorer regions of Asia. One *claim*, however, is that the exploitation of their cheap labour resources offers developing economies the chance to move on to the first rung of the development ladder *and* the possibility of moving beyond factory and, indeed, office sweatshops to a more sustained form of wealth creation.

2 While watching the video

2.1 Learning from video footage

You might think that learning from audio-visual sources is very different from learning from written sources yet, somewhat surprisingly, it is much the same. This section of the course will help you to think about how you can turn the very familiar, but usually passive, process of watching a video into the active process of learning. Watching the video will involve the skills of engaging with the material and making sense of it for yourself, just as if it were written materials. The advantage of the DVD is that the material it provides is so much livelier than the written text. As noted earlier, it gives us the sights and sounds of the Mexico–US border, and we see and hear at first hand those who live and work there. You need to think about how you can use that vitality to its fullest potential. Passively watching the video is, of course, not enough. You will need to ask questions and interrogate the material you see, and turn it into a form that will allow you to use it effectively to enhance your learning. This section will also give some advice on how you might go about note taking while you watch the video.

2.1.1 Preparation

Prepare to watch the video in just the same way as you would prepare to study written material. You will need to have a suitable environment in which you should be relatively undisturbed and able to concentrate for the full length of each video extract. You will need to be able to take some notes as you watch – it is easy to forget the key points if you leave note taking until the video is finished, and it will be important to record your immediate reactions to some of the images.

In the video extracts, you are introduced to an issue – often presented in the form of a conflict – in which two sides of the story are presented. Here your notes will not only need to reflect what the video is saying, but also to identify the nature of the debates and the arguments being presented by the two sides.

2.1.2 Note taking

The first important point to make is that note taking is more than a process of summarising everything that you see; it must be an active process of engaging with the material and thinking it through for yourself. In the video, the multidimensional nature of the visual images and the stories they convey means that you will not be able to take in everything on first viewing. The reason we chose to present the material on video was, in order for you to revisit the material and think about it in different ways. Remember that the video simply provides an introduction to some very complex issues, many of which explored in the course.

In the video, there are many kinds of information that you can draw upon to help you to understand the Mexico–US border and the issues around it. You will need to think about how to take notes and how to learn from each kind of information.

- First, and most obviously, you will need to decide what the video is saying: its broad content.

- Second, you will need to consider the interviews in which people present their personal stories and perspectives on life at the Mexico-US border. These become particularly important in when we are presented with debates around culture, nature, economy and the environment. Interviews with key people such as Martha Ojeda, from a workers' rights group, give us insight into the impacts of some of the global processes on the lives of people at the border, as they see it.
- Third there are the situations and events that we see in the video, it gives us a sense of 'being there', and we can learn much about life at the border simply by observing images of the physical environment and by getting a feel for the place. For example, we can see for ourselves exactly what the maquiladoras ('assembly for export' factories) are like and what life is like in the colonias (shanty towns) where many of the assembly line workers live.

We suggest that the first time you watch the video, you should not attempt to take notes but simply watch to find out what the video is about. At the end, you might like to jot down some of the points that struck you and any questions that occurred to you. Your immediate reactions to the images seen might also be worth noting – it will be interesting to see if your perspective changes as you work your way through this and other related courses e.g. DD205_2 Claiming connections: a distant world of sweatshops.

These initial points will help to guide your subsequent viewings and perhaps indicate any sections of the course upon which you wish to focus. On your second viewing, you will need to take detailed notes as you view the video. Remember that you should not be trying to write everything down. After all, that would be like copying out a book word for word! Instead make notes that, for you, summarise the key points of the video. You should also note down any evidence that backs up these key points. This will include factual material such as dates – or spotting which companies have factories in the region. The visual imagery may also be part of this factual evidence. In order to keep your notes well organised, you may find it helpful to draw a framework or grid for the video on which to identify the key points, the evidence and also some links to the course themes.

2.2 The purpose of this activity

For these short video extracts we have chosen to focus on two main viewpoints. Try not to look beyond the outline of the debate, for we are not expecting you to come to a conclusion about who is right and who is wrong – the issues are far too intricate for that. All you need to do is to recognise what the issues are and to be able to identify what arguments each side puts forward in support of its case.

The key skill being developed is identifying the arguments used by various individuals and groups. You will need first to identify the two perspectives on the issue and then to summarise the points made by each group. A sample summary has been created for these video extracts 'Jobs at any price?' The two groups were identified as; on the one hand, the workers and those campaigning for workers' rights and, on the other hand, the multinational firms and the Mexican government. Different labels for the two perspectives could have been used, but the important thing is that identifying the groups from the evidence presented in the video. You may feel that the video shows more than two viewpoints; if so, then you can create space for these in your note taking, but do not be tempted to overcomplicate your notes.

Do not attempt to draw conclusions from the material in the video; rather concentrate on identifying what evidence is given for the two perspectives. Assembling the evidence is an

important first stage in the process of evaluating arguments and it is essential that you do this before you try to draw conclusions.

Interviews with individuals play an important role in presenting the arguments. Therefore, we need to think about how to make notes from interviews. Some of the people interviewed have strong views or stories of personal hardship. These stories provide richness and a depth to our understanding of the issues, but we need to ensure that we do not lose ourselves in the detail of these personal accounts. In the commentary notes, the arguments presented by Martha Ojeda and Mike Hissam have been identified as significant because they are closely involved in debates over jobs. However, it is important to frame their comments within the broader discussion about the nature of jobs, rather than simply leaving them as individual viewpoints.

Activity 2

- Are bad jobs better than no jobs?
- Does outsourcing offer poor countries to develop?
- Or does it just perpetuate poverty wages? (a 'race to the bottom' or a 'race to the top'?)

Watch the following video extracts. Use the ideas from the note-taking section to try and answer these questions.

Video content is not available in this format.

[Video Extract 1](#)

Video content is not available in this format.

[Video Extract 2](#)

Answer

Here are the notes that were outlined in response to the activity questions. Remember that they are one person's interpretation and may not be an exact match for your own notes.

Jobs at any price?

The issue: Are poorly paid jobs better than no jobs at all?

- The maquiladoras are foreign owned firms (e.g. Hitachi, LG Electronics, Sony) which have moved into Mexico to assemble products which are then shipped to global markets.
- They create many jobs (15 million in 2005) and many people move from all over Mexico to work in the maquiladoras.
- The pay in these factories is much lower than on the US side of the border and the hours are long.

Two viewpoints on the issue of jobs

The multinational firms and the Mexican government

- Mike Hissam of Delphi argues that his firm has brought high-tech jobs to this region and created 20,000 jobs.
- Products from Delphi are distributed to 100 customers.
- In Juárez, there are 400 maquiladoras, 40,000 people migrate there each year to benefit from the jobs available.
- There is a state-sponsored union CTM; Mike Hissam says workers are free to organise themselves.
- The Mexican government has encouraged the firms to move to Mexico.

The workers' groups

- Martha Ojeda of Coalition for Justice in the maquiladoras campaigns for workers' rights and better pay.
- Wages haven't increased in 15 years; daily wage in Texas \$10, in Juárez \$7.
- Conditions are getting worse for workers who live in shanty towns without services and have long journeys to work (Juan and Yunisa Mejía).
- Globalisation may mean that factories move to China where wages are even lower so workers have no security of income.

Figure 3: Commentary

Conclusion

This free course provided an introduction to studying the arts and humanities. It took you through a series of exercises designed to develop your approach to study and learning at a distance and helped to improve your confidence as an independent learner.

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Table 1: Castree, N. et al. (2004) *Spaces of Work: Global Capitalism and the Geographics of Labour*, Sage Publications Ltd.

Figure 1: Dicken, P. (2003) *Global Shift*. Copyright © Sage Publications 2003; Figure 2: copyright © Julio Etchart/Panos.

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