

# IMPACT OF GLOBALIZATION ON THE HUMAN RESOURCE MANAGEMENT FUNCTION IN DEVELOPING COUNTRIES: A CASE STUDY OF KENYA PUBLIC CORPORATIONS

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## Abstract

*Globalization has a major impact on the management of human resources in developing countries including Kenya. It has led to homogenization and convergence in organization strategies, structures and processes as well as in consumer choice. With accelerating globalization, organizations have had to change and new trends have set in even in the management of human resources. Globalization has led to changes in organization design and organization structures are leaner thus improving efficiency but having a negative impact on staff numbers which have had to be reduced. This means employees have been retrenched in many sectors like telecommunications, the Kenya Railways and the Kenya public service sectors in order for those organizations to gain competitive advantage. Reward management systems have changed and even the human resource planning strategy is to have a leaner staff in the core areas and to hire part time workers in a bid to reduce costs and to enable the business to run profitably and efficiently. The non-core jobs have been outsourced which has led to an increase in independent contractors to service industries. However, the homogeneity that results from globalization has had a major effect in developing countries because of brain drain. Globalization can therefore be said to have had a phenomenal impact on a developing economy like Kenya that is both positive and negative as explored in the paper.*

## INTRODUCTION

Globalization was defined by Giddens (1990) as the ‘intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring miles away and vice versa’. This definition embodies some interrelated ideas, of “accelerating interdependence” (Ohmae, 1989), of “action at a distance” (Giddens, 1990) and of “time–space compression” (Harvey, 1989). ‘Accelerating interdependence’ is understood to be the growing intensity of international enmeshment among national economies and societies, such that developments in one country impacts directly on another country. ‘Time space compression’ refers to the manner in which globalization appears to shrink geographical distance and time. In a world of near instantaneous communication, distance and time no longer seem to be major constraints on patterns of human organization and interaction (Held, McGraw, Goldbat and Perraton, 1999). Globalization is leading to homogenization and convergence in organizations’ strategies, structures and processes and in consumer choice, along with a new global division of labor that widens the income gap between the ‘haves’ and ‘have nots’ both within and between societies.

Today’s world is organized by accelerating globalization, ‘which is strengthening the dominance of a world capitalist economic system , supplanting the primacy of the nation state with transnational corporations and organizations, and eroding local cultures and traditions through a global culture (Kellner, 1989).

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The emergent global economy and culture can be described as a 'network society' which is grounded in new communications and information technology (Castell, 1996, 1997, 1998). Some view globalization as the continuation of modernization and a force of progress, wealth, freedom, democracy and happiness. Others view it as another form of imposition. Its critiques view globalization as harmful and perceive it as a force that brings about increased domination and control by wealthier and overdeveloped nations over the poor and underdeveloped countries. They feel that it widens the gap between the 'haves' and 'have nots' (Castell, 1996).

From the social theory perspective, globalization involves the flows of commodities, capital, technology, ideas, forms of culture and people across national boundaries via a global networked society (Castells, 1996, 1997, 1998). The transmutations of technology and capital, work together to create a new globalized and interconnected world. (Castell, 1998)

A technological revolution involving the creation of computerized network of communication, transportation and exchange is the presupposition of a globalized economy, along with the extension of a world capitalist market system that is absorbing evermore areas of the world and spheres of production, exchange and consumption. The technological revolution presupposes global computerized networks and the free movement of goods, information and people across national boundaries. Hence the internet and global computer networks make globalization possible, by producing a technological infrastructure for the global economy. Globalization has an effect on employment patterns worldwide. It has contributed to a great deal of outsourcing which is one of the greatest organizational and industry structure shifts that changes the way business operates (Drucker, 1998). Globalization is also seen as changing organizational structures where expenses can move up or down as the business climate dictates (Garr, 2001). For employees the trend toward outsourcing has been thought to result in a loss of fixed employment opportunities as a consequence of firms seeking to use cheap labor from countries like China, Mexico and even Africa. The globalized economies have also had their effect on reward systems, migration, and on job security and each of these are discussed in the below.

### **Globalization and Outsourcing**

As a result of globalization, the employed workforce is made up of part time, temporary, freelance, or independent contractors and is growing (Geiger, 1999; Neikirk, 2002). According to Clot (2004) the basic idea about outsourcing is that if a firm does not specialize in a certain function which it does not consider core, it will outsource the work and therefore be able to offer better cost and quality.

Global outsourcing has altered the work in companies. Initially outsourcing was only done for the peripheral services such as janitorial services, but now outsourcing has been extended even to the core functions such as final product assembly, customer service, financial services and technological services (Clot, 2004).

Specifically in Kenya, Business Process Outsourcing (BPO) includes call centers, animation, software development, knowledge processing, data processing and transcribing (Wahome, 2008). A case in point is the Telkom Kenya which recently retrenched more than ten thousand employees. A number of those employees who had unique specialized skills in telecommunications, but who could not be retained under the new management as full time employees were asked to form companies from which the corporation could outsource the services it needed (Telkom Kenya Records, 2006). Safaricom, a mobile telephone service provider in Kenya, who have also spread into the East African region, have also made a strategic decision to outsource their call centers and concentrate on the core business (Safaricom Records, 2008). This was a decision made in order to cope with cut throat competition and it is also an idea that has been brought about by the globalized economy. Held *et al.*, (2003) postulates that the growing extensity and intensity of global interconnectedness implies a speeding up of global interactions and processes as the development of worldwide systems of transport and communication increases the potential velocity of the global diffusion of ideas, goods, information, capital and people. The growing extensity, intensity and velocity of global interactions may also be associated with a deepening enmeshment of the local and global [missing word] such that the impact of distant events is magnified while even the most local developments may come to have enormous global consequences (Held *et al.*, 2003). In the cases mentioned above, it is evident that the distant events have impacted on business processes in Kenya.

One of the most striking accelerations of globalization has occurred in respect of electronic communications (Scholte, 2000). The relevant infrastructure has grown and in some countries' transoceanic cables are fully available including the introduction of satellites and fibre optic cables. These cables have created large supraterritorial spaces for computer networks (Scholte, 2000). The improvement of electronic communications has accelerated the emergence of the call centre concept. The call centre approach has been necessitated by the need to provide continuous service using few staff that are cheaper to maintain. Ohmae (1985) notes that having twenty-four hour service is a main consideration for adopting this approach.

In Kenya the call centre approach has been challenged by the fact that the country's internet services is slow and expensive and relies on satellites. However the country is putting in place a fibre optic undersea cable referred to as East African Submarine Cable System (EASSy) expected to be operational in 2009 (Ministry of Information and Communication, 2008). EASSy is an initiative to connect countries of Eastern Africa to the rest of the world. It is expected that with the installation of this cable the prices of internet connectivity will go down drastically and this will make companies more efficient. London based business analysis group Datamonitor says that Africa would see the fastest growth in the number of call centres for the rest of the decade and singled out Egypt, Botswana, Ghana and Kenya for particularly rapid expansion. The business analysis group also notes that Kenya, Botswana and Ghana were all British colonies and have the sort of linguistic skills and education systems that make them well placed for call centres ([www.csmonitor.com](http://www.csmonitor.com), 2007). Kencall, a major call centre based in Kenya receives outsourced work from all over the world and employs five

hundred people (Kencall Records, 2008). There is also Skyweb Evans which is a call centre employing fifty people. These are among the fifty companies that are receiving outsourced work from international companies, which shows that globalization has led to recruitment of a good number of people which is good for the Kenyan economy. Other companies will outsource their financial work and human resource work to trusted companies such as Price Waterhouse Coopers, Ernst and Young amongst others ([www.deloitte.com](http://www.deloitte.com), 2008).

In Kenya's Export Processing Zones (EPZs) located in Athi River and in Ruaraka, there is a lot of textile work which is finished and sent to the Western countries. EPZs are defined as fenced industrial estates specializing in manufacturing for exports and offer free trade conditions and a liberal regulatory environment. Some of these firms have been outsourced to do final product stitching using cheap labor, and then these finished products are then sent to the United States and other countries. This thinking comes from some of the assumptions of globalization which say that, "customers are ready to forego their preferences provided they are offered a low price with good quality and that the cost savings arising from mass production will make the firm more competitive against its rivals." (Ole Gabriel, 2002).

The EPZs have adopted the mass production style and have been able to gain from the cheap labor provided. Ikiara and Ndungu (1997) note that by 1995, EPZs had created 5000 new jobs since their inception in 1990. EPZs were designed to integrate Kenya into the global supply chain and attract export-oriented investment in the zones, thus achieving the economic objectives of job creation, diversification and expansion of exports, increase productive investments, technology transfer and creation of backward linkages between the zones and the domestic economy. Manda (2004) notes that EPZs implement the labor laws with a lot of flexibility. For example the law does not impose a minimum wage on EPZs. Lax government supervision and opposition to labor unionization and union activities are common in EPZs. This has led to employee relations issues with staff in EPZs downing their tools from time to time.

Some banks in Kenya are also receiving work that has been outsourced for back-end processing. A case in point is Barclays receiving work that needs to be processed for customer accounts abroad and it is processed in Kenya. The confidential information is encrypted in order to maintain customer confidentiality. Therefore banks are hiring back end processors in order to meet the demands which must be delivered on time. The thinking in banks comes from the assumption that "the needs of customers are becoming more homogenous and that all customers will have common needs" (Ole Gabriel, 2002).

Again jobs within firms are becoming more temporary and this forces workers to remain adaptable as changing demand alters occupational knowledge and does away with stable career paths (Ansberry, 2003a; Skaplinker, 2003). In a number of companies in Kenya, there is a tendency to use part time workers more rather than having full time staff. Companies have found this arrangement effective because they pay the part time workers for only the days or hours worked, which is cheaper than having full time workers who are expensive to maintain. Again, with the need to have competitive

advantage over others, there is a need for organizations to be cost effective and offer products which are quality and low priced. Therefore a number of Kenyan firms are learning to operate leanly in order to achieve this target. This thinking is as a result of widespread globalization. Therefore we find that part time workers represent a wide and good percentage of the workforce today in Kenya.

Barring a collapse of the world economy means that the scope of global outsourcing can be expected to grow for firms seeking to remain competitive in world markets and deliver shareholder value (Ansberry, 2003). The impetus towards outsourcing is to free up resources that will enable firms to focus on their core specializations. As companies in the developed nations choose to leave all 'service' activities to outside suppliers in less developed countries, they are likely to seek economies of scale and scope within their own core activities, leading to increased mergers and consolidation in a number of business sectors (Skaplinter, 2003). The author continues to note that management theory and economic thinking concurs that this is a desired position for firms and that it contributes to the 'creative destruction' that is the nature of capitalism itself. Firms that are no longer competitive perform inefficiently and ultimately close down, to be replaced by firms that innovate to make better goods and services. The location of a firm and where its products are made or serviced matters less and the labor to create the product or perform the service is thus commoditized. In the US, it has meant the loss of skilled positions and depressed salaries. In Africa and specifically Kenya it has meant that we have not been able to reap the benefits of globalization as much, due to the presence of labor with low level skills and the lack of advanced technology. One of the major challenges in Kenya has been the lack of an Information, Communication and Technology (ICT) policy which has been a major hindrance for Kenya to receive outsourced work. The reason is that companies out there want to be assured confidentiality of their data once it is outsourced and those confidentiality statements should be backed by a legal policy. The Government of Kenya has been working on this and has reported that they are completing the policy (Ministry of Information and Communication, 2007). Majority of the work is done in developing countries through temporary and contract workers. To presume that global outsourcing will create jobs in poor countries, shrink the gap between the rich and the poor nations and create smaller, more highly innovative firms with resources and skills in their core competencies of say marketing and design is being highly optimistic. Global outsourcing has benefited high technology countries more.

As new products and services are being developed in the US and other developed countries, they are quickly being outsourced to manufacturers and service providers to do the actual work. A contract workforce of salespeople and delivery workers will interact with the consumer. Economic theory suggests that this is the best long term macro economic interests of developed nations and the world as a whole as it allows for comparative advantage. However the problem with this is that, in the long term it will lead to structural unemployment in developed nations and create an ever larger 'skills gap' between those fortunate to have skills and the many who do not.

## **Globalization, organizational design and reward management**

In terms of organizational design and human resource management, globalization means that there is need for more 'responsive' and 'flexible organisations' and employees. Globalization has led to global division of labor. Most organizations now especially in the West are making new site selection decisions which are driven by business needs and opportunity exploitation. Companies from the US have especially closed production plants in the US and created offshore professional and operations centers and relocated them to where labor is cheap. For example IT industries have moved to India's Bangalore City popularly known as the Silicon Valley. The employees in India are highly skilled yet they demand pay which is a fraction of what a similarly skilled person in the U.S would demand. In Kenya, as mentioned earlier there are companies like Kencall which are being sourced as independent contractors to give services such as front office customer service via telephone round the world and provide the customers with relevant information needed. It is more of a customer service oriented service where a customer is attended to on phone from Kenya, and then their request is sent to the relevant department for processing. The companies that contract these independent operators are not from Kenya, but from the West. Many employees in such ventures are paid much less as compared to the US and UK standards (Kaburu, 2007). However they are comfortable because when they compare themselves to significant others, they are getting better salaries.

Therefore the global division of labor has resulted in third world countries and European Union accession states specializing as providers of cheap labor and commodities, while the developed first world countries of the so called 'Triad' that is USA, EU and Japan (Rugman, 2000) concentrate on skills that enable the production of high value-added goods and services of all kinds. In Western countries this has been reflected in the shift of employment from labor intensive commodity and such production is outsourced to cheap labor economies, to the service sector such as financial and business services , retailing and 'in person' services (Reich, 1991).

The service sector comprises three different sorts of work: highly skilled, 'professional' and 'knowledge work' (for example, Research and Development experts, investment analysis, advertising, IT consultancy amongst others). The other group is the traditional professions which include, semi skilled workers who comprise of routine back office work which is heavily reliant on operating IT packages (for example call centre work, data inputting in financial services). The last category is the semi or low-skilled front line customer or client facing work (for example, holiday reps, care workers, hairdressers) which involve a high level of personal skills and emotional labor (Legge, 2005).

Globalization has led to the desirability to maintain flexible and lean organizations. Puick (1992) notes that leading edge global competitors, irrespective of their national origin, share one key organizational design characteristic. Their corporate structure is simple and flat rather than tall and complex. Simple structures increase the speed and clarity of communication and allow the concentration of organizational energy and valuable resources on learning rather than controlling, monitoring and reporting.

Resource based value theorists argue that keeping up with the leader does not deliver sustained competitive advantage; rather this depends upon the organization developing its own unique, scarce and inimitable competencies (Barney, 1991; Wernerfelt, 1984). One distinctive capability identified by Kay (1993) is the 'architecture' of supplier and employee relations, that is developing appropriate relational forms, be it trust in interpersonal relations (Hosmer, 1995) or involving subcontracting or networking organizational forms (which may depend on trust or contract).

Similarly, if an organization's core competencies relate to employee know-how that cannot just be brought in but represents job and organizational knowledge that is unique to the organization, then an appropriate competitive and cost effective organizational form might be supported by a 'periphery' of workers: on non-standard contracts and a network of sub-contractors ('outsourcing') and contract labor agencies ('insourcing') scattered throughout the world. The achievement of competitive advantage in the global economy is often associated with responsiveness to the sovereign customer and is equated to speedy delivery of the right product or service at the right quality and at the right time. 'Rightness' of product or service suggests an understanding of the customers needs: hence the need to get closer to the customer and removing the slow, unresponsive long lines of communication of bureaucracy, through business process re-engineering. This means a move from function-centred to process-oriented organizational forms and practices. It means integrating previously fragmented tasks so that fewer people take less time to perform the process in question. In practice this has been associated with layering and downsizing. Telkom Kenya was one state corporation that was not able to respond to customers needs promptly as evidenced by the number of complaints in the press. Customer telephone lines would not function for a long time and hence when competitors begun entering the telecommunications industry and provided reliable communication networks there was a mass exodus by customers. By the time the corporation realized, many customers had moved and the competitors were too strong. The corporation has now been bought by a French firm and the staff establishment has been reduced from seventeen thousand to less than four thousand employees (Telkom Records, 2006). The corporation is reporting profits, however very many people are bitter after losing their jobs. The achievement of 'right' quality is often associated with the introduction of Total Quality Management and again functionally flexible teamworking. Right time suggests the introduction of just-in-time production of goods and services and the elimination of waste, which may include unnecessary workers. Many private and public sectors in Kenya have gone this way and it is beginning to bear fruit, though it basically increases poverty when people have no sustainable income to rely on. The other problem is that those who are retrenched end up opening the traditional small businesses which are more or less similar which makes it difficult for them to survive. This is in line with research conducted by Manda (2004) which indicates that in the informal sector job security is low as most of these businesses keep closing down.

With globalization there is intensified target setting, surveillance and auditing and governmentally inspired 'new initiatives' have continued apace. 'Value for money' and 'customer charters' have now been augmented by public-private partnerships in the

pursuit of cost effective 'service delivery'. The Government of Kenya embraced the process of performance management in the same spirit and began signing performance contracts with the ministries and then with the Permanent Secretaries in the ministries in 2003 (The targets are very clear, and the resources required are clearly stipulated, including who is to provide those resources). The contracts are being pushed downwards to the lower level officers in the government, to enable the achievement of the Ministry's mandate. The service delivery has improved a great deal as a result. In fact the government of Kenya was awarded the United Nations 2007 Public Service Award. The award is given to the best creative achiever and contributor of public service institutions in the world. The Kenya public service won the award for the successful way it has implemented the performance contracting system in public service. It won the category one award for improving transparency, accountability and responsiveness in the public service. The process has worked very well and is moving downwards to the lowest levels in the public service. A number of ministries have developed customer service charters and have fixed deadlines for every procedure. This is an initiative that has been driven by globalization which as stated earlier has emphasized on business process re engineering in order for firms to remain competitive. Therefore the Government of Kenya is implementing these systems of managing employees' performance in order to enhance service delivery. The Government has gone ahead to embrace the Rapid Results Initiative (RRI) which aims to reduce the turn around time for all services. This initiative has meant there are defined timelines for every process and deviations must be accounted for. This has led to strict performance measures and high levels of accountability in all sectors where, the system has been implemented. It has also meant higher levels of customer satisfaction. All these initiatives have been driven by international enmeshment where happenings elsewhere influence what is happening locally.

### **Globalization and its contribution to downsizing in Kenya**

The spread of economic competition and shareholder activism has motivated large firms to embrace the 'lean and mean' conception of control and thus implement downsizings.

A conception of corporate control allows top managers in large firms to control their environments by specifying how such resources such as personnel should be distributed in order to ensure that directives are executed (Flingstein, 1996).

Macroeconomic factors have facilitated globalization and these include economic depressions, economic globalization and factors like industry deregulation. The lean and mean conception that drives globalization looks at managing competition using small size and simple structures to increase performance. It also focuses on restructuring and de-bureaucratization and emphasizes on returning to core competencies through de-conglomeration and de-diversification (Ibid, 1996). Manda (2004) argues that public sector downsizing is not directly connected to globalization but the two are not independent either. Globalization, can be said, to have contributed to downsizing because the level of competition is no longer national but global (McCourt and Eldridge (2004). The global companies coming to compete with local companies have the advantage of having merged and acquired and therefore have large capital bases and resources which local companies may not have (Ibid, 2004). Again these international companies have



good governance structures (Holbeche, 2001), a feature that is lacking in most many corporations in Africa. Wescott, 1999 observes that,

“Many African administrations are weak...and are plagued with corruption and other misallocation of resources...There is patrimonial recruitment and promotion in order to reward loyalists with jobs.”

Puick (1992) postulates that global business strategies point to core competencies, invisible assets and organizational capabilities as key factors influencing long term success in global markets. Globalization not only brings the Human Resource function closer to the strategic core of the business, it also changes the scope and content of human resource management.

Global competition has stimulated domestic deregulation of industries. For example the telecommunications sector in Kenya has been affected by this move and now there are a number of industry players. The assumption was that deregulation would permit telecommunications and other types of firms to dominate world markets (Budros, 2002). Peters and Waterman (1982) challenged managers to ‘search for excellence’ by adopting eight attributes, one of them being having a lean staff complement. Hammer and Champy (1993) exhorted managers to ‘re-engineer the corporation’. Re-engineering involves re-inventing the processes by which firms produce goods and it has focused attention on reducing firm size and bureaucratization. The new thinking is that managers should enhance financial performance by preventing their firms from employing too many people and from operating with overly bureaucratic structures. Its competitive advantages should include employee empowerment, fluid communication, management by people rather than numbers, better customer service and agility in the face of shifting market competitions. These are the key benefits that firms like Kenya Re, Telkom Kenya, Kenya Railways Corporation and the Public sector of Kenya were aiming for when they carried out their downsizing programs. The ‘lean and mean’ conception rejects the core assumptions of its predecessor that bigger is better, continual growth is desirable and that adaptability is promoted by loose coupling, redundancy and slack resources (Budros, 2000).

A key strategy of the ‘lean and mean’ firm is downsizing which is the conscious use permanent personnel reductions in an attempt to improve prospects of survival. Another strategy adopted by the ‘lean and mean’ firms is restructuring which includes job redesign, cutting hierarchical levels and buying and selling divisions.

Bowman and Doughty (1995) have distinguished between involuntary and voluntary downsizings associated the former with layoffs and the latter with attrition, early retirement and related programs. The Kenyan corporations mentioned began with early retirement option where enticing packages were offered to lure employees. They then went ahead to retrench those who were between 50 years and above and they too were given good packages including pre-retirement counseling in order to help them cope. The numbers retrenched by Telkom were about thirteen thousand employees. The numbers retrenched from Kenya Railways Corporation were even higher because the corporation was being concessioned and the incoming company required a very lean

staff. In essence companies are taking drastic measures in order to remain 'lean' which is a concept that has come as a result of economic globalization perspective.

The Telkom Kenya retrenchments were driven purely by the fact that the telecommunications industry had been deregulated and other players such as Safaricom and Celtel which are mobile phone operating firms had come in. Telkom had remained rigid and inefficient which is a key hallmark of large bureaucracies in Kenya and therefore when independent operators began giving efficient services, customers shifted loyalty. Customers were willing to pay an extra cost for efficient operations. When firms adopt 'involuntary downsizing' the employee protection is lower and the short term cost savings for a company are higher. Employees have low control over the continuity of their employment when firms execute layoffs, indicating that the protection of employee well-being is relatively low (Budros, 1999). In contrast voluntary downsizing strategies offer employees varying levels of economic security, indicating that employee protections are relatively high in these cases. The short term cost savings for an organization are lower because this strategy takes long to complete and is costly in terms of payments made to existing employees. In involuntary downsizing strategies, the employees receive no modest severance pay. In the recently concluded retrenchments done by public corporations the employees were given a lot of protection in the form of advance warnings and a lot of information and consultations on the process.

Therefore globalization has led to the desire for having lean structures and also the desire to reduce unnecessary bureaucracies that slow customer service. Every firm is looking for efficiency. However with downsizing there are major effects on individuals and on the economy itself. These moves could be leading to the ills of globalization on developing nations which is increasing the level of poverty. These retrenchments had a number of counter effects not just on the immediate job holder and family but also on others such as service providers like where they shop.

### **Globalization and Migration**

Migration is defined as, "the temporary or permanent movement of persons between countries to pursue employment or education (or both) or to escape adverse political climates" (Goldin and Reinert, 2007). These authors note that migration causes brain drain, which is the loss of educated and highly skilled citizens to other countries. In Kenya we have lost very many well trained human resources in key positions to developed countries. They have been lured by better pay and working conditions as well as the promise of a better life. This 'skill poaching' by the developed countries has had detrimental effects in the health service sector, as well as in education at the higher levels. The Ministry of Health in Kenya has complained that they are losing so many of their skilled nurses and doctors to other countries considered as developed and high income countries. As a result, community health centres in Kenya and Government hospitals are understaffed thereby compromising the quality of healthcare provided. In the public universities the scenario is the same whereby key trained lecturers are moving to other countries with a lot of ease and many of those who go out for education opt to remain outside.

The United Nations Population Division (2005) produced the world migrant stock that showed the number of migrants had increased from 16,351,076 in 1990 to 17,068,882 in 2005. High income countries use skilled migrants to fill occupational shortages that cannot be met by training resident nationals. Migrants take with them skills in critical demand. In Kenya, we have lost a good number of well educated people who have migrated, which means the loss of leaders, innovators and household heads which has its own social and political costs. The social costs include the loss of social cohesion, dynamism and growth potential of the economy. A recent study of the Organisation for Economic Cooperation and Development (OECD) suggests that “emigration of highly skilled workers may adversely affect small countries by preventing them from reaching a critical mass of human resources, which would be necessary to foster long-term economic development” Financial Times, March 23, 2005, citing OECD (2005). Emigration deprives governments of tax revenues, depleting the quality of public services and preventing society from earning a return on money invested in the education of migrants. In a report entitled Least Developed Countries (LDCs) Report (2007) economic growth and the creation of employment opportunities for educated manpower in LDCs appears to be closely associated with slower rates of brain drain. The report indicates that the reasons for brain drain are slow economic growth and political instability, especially in Africa. The low level of pay and the huge and widening gap between earnings in LDC’s and those in developed countries are also to blame.

Brown and Meyer (1999) report that 40,000 scientists and engineers from developing countries are employed in research and development in high income countries, compared with 1.5 million who are working in their home countries. About 70,000 professionals and university graduates are thought to leave Africa each year to take up work in Europe or North America (Weiss, 2001). Therefore it is clear from statistics that globalization has had its own negative effects on the growth of labor pools in African countries and this would explain the reasons why they progress so slowly.

## **CONCLUSION**

Globalization has its positive side as well as its negative side. It affects the economic dimensions; that is trade, finance, aid, migration and ideas. Increases in these dimensions of globalization, if managed in a way that supports development in all countries, can help alleviate global poverty under certain conditions.

However as much as globalization is said to lead to job creation, the jobs created are not as good as those lost in the formal sectors (Manda, 2004). Again due to high competition in the informal sector the survival rate of firms is low, making jobs in these sectors insecure. Also the earnings in the informal sector are lower than the formal sector making the workers vulnerable to poverty and being less economically empowered. The Business Daily Africa reported that, EPZs were moving away from Kenya due to what they termed competition from China. They have also been accused of paying workers wages that cannot change their economic status (Sanga, 2008 [www.bdafrica.com](http://www.bdafrica.com)). This has led to employees in EPZs going on strike from time to time. Manda (2004) indicates

that the Kenyan laborer has not excessively improved their economic status as a result of being employed by these firms.

The other issue is that globalization has led to a situation where the business processes that are outsourced are at the lowest level in the hierarchy in terms of skills requirement.

“Most developing countries throughout the world provide basic services such as data entry. Only a few have been able to improve quality or expertise in order to provide more complex services.” (United Nations Conference on Trade and Development (UNTCAD) Report 2003). This means that on the positive side, jobs are created but on the negative side, it means that skill development shall be minimal in developing countries like Kenya. This is because the tasks are simple, routine, precise and easily measured and there are no deviations allowed so there is no room for critical thinking.

The other effect of globalization on human resources in Kenya has to do with the migration patterns. Ratha and Xhu, (2008) indicate that the remittances provided by the people who have migrated provide a lifeline to the poor and to their dependants and are an essential source of foreign exchange and a stabilizing force for the economy in turbulent times. However “for many sub-Saharan African countries, the remittance figures are also an indicator of the high levels of brain drain that have deprived these countries of some of the finest brains” (Ratha and Xhu, 2008). This level of brain drain hampers Africa’s and specifically Kenya’s growth. The fact that the jobs created require low skills and the skilled people are going away is a bad mix for Kenya’s growth, in the years to come.

The challenge for Kenya as a result of migration is the growth of skilled labor pools. This is a challenge due to the income differentials between the developed and the developing countries. The global labor market is increasingly integrated for the high-skilled corporate executives, scientists, entertainers and many others who form the global professional elite who have high mobility and wages (UNDP Report, 1999). But the markets for unskilled labor are restricted by national barriers. However, good governance and improvement of the political and economic environment in Kenya can attract back some of the good brains who have been attracted by the high payment levels in developed countries.

One of the positive measures of globalization has been the passing on of information which has to do with flow of ideas. This has led to improvements in the way things are done. An example is the public service mentioned where the new ideas have been embraced thus improving service delivery. Globalization allows others to get to know the best practices of other countries easily as a result of information flows which have been aided by technology.

Again globalization has led to cut throat competition which means that organizations have had to manage their performance very strictly in order to survive. It is from this backdrop that organizations in Kenya including the civil service have embarked

on measures of improving performance. From the human resource management perspective, the performance targets should be clearly measurable so that individuals can gauge their performance. The targets come from the organizational targets. This form of management thinking has led to improvement in organizational performance and especially service delivery has improved extensively especially in the public service. Most of these organizations are competing with global organizations so they have had to put in extra effort to survive. So with globalization organizations can no longer remain complacent.

According to a United Nations Development Programme (UNDP) Report (1999), global markets, global technology, global ideas and global solidarity can enrich the lives of people everywhere, greatly expanding their choices. However, globalization today is being driven by market expansion, opening national borders to trade, capital, information which is in turn outpacing governance of these markets. The report indicates that when the market goes too far in dominating social, political and economic outcomes, the opportunities and rewards of globalization spread unequally and inequitably concentrating power and wealth in a select group of people.

The way forward is not to stop the expansion of global markets but to find rules and institutions for stronger governance. This means having globalization with ethics and less disparity within and between nations and not more. The idea is to have less marginalization of countries, less poverty and deprivation.

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