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Social Costs of Globalization in Emergent Economies

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Abstract

This research focuses on identifying and analyzing the main factors that generate social costs in the context of globalization. In emerging economies, the social and economic factors underlying a significant and the growing income inequality tend to be different from work factors in many OECD countries. The importance of the informal economy, combined with the persistence of significant geographic disparities in economic performance, is a significant factor in the inequality of revenues in all emerging economies. In turn, the informal economy and geographic disparities are closely linked to other aspects of inequality such as gender, ethnic differences, disparities in educational achievement, and working conditions. This paper develops these factors and synthesizes their effect in order to serve as a starting point for a further econometric research to measure the impact in emerging economies.

Keywords: *social costs, globalization, emerging economies, societal management.*

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1. Introduction

In globalization context, the issue of managing social costs, including avoiding the multiplication of their registration, is in the attention of all decision-makers, especially in terms of emerging countries. Globalization presents various forms of manifestation and in this research, we have analyzed social cost through three dimensions: economic, financial, socio-cultural (Radu, 2009).

Economic globalization is the tendency of different national economies to merge, to give rise to a single global economic structure. This implies a liberalization of economic sectors, a liberalization that takes into account the most essential elements of economic infrastructure: the movement of capital and the movement of labour. The economic dimension of globalization is of great importance, being one of the most important causes and driving force for globalization processes in other areas.

Financial globalization is marked by three key points: deregulation for monetary and financial liberalization; the elimination of intermediaries to carry out transactions with direct access to financial and foreign exchange markets, the opening of domestic capital markets, which leads to much greater integration. The globalization process trains both market players and specialized institutions that ensure standards.

Socio-cultural globalization. The development of a global economic system determines social and cultural effects. There is also a homogenization of the individual, in three key areas of his identity:

- its role as a producer - techniques and working conditions, as well as manufactured products tend to be almost the same in all corners of the world;
- its role as a consumer - the products available in markets around the world tend to be the same which influences people's cultural practices.
- its role in information / training - with new communication technologies and the emergence of huge global media groups globally, the information received around the world is the same.

The different meanings regarding globalization converge towards the same idea: globalization is a trend of the contemporary economy resulting from the development of information technologies, the elimination of traditional barriers and the integration of markets in a global market. The main purpose is the free movement of goods, capital and investment in order to increase trade, investment and quality of life.

The dissemination of societal information (social and environmental) is a practice quite old in the fields of management. This shapes specific management, called societal management, appeared in the United States at

the end of the 1960s, mainly for the purposes of reporting on dimensions relating to employees and products. Then in the 1980s, environmental protection became a major concern in industrialized countries. Environmental management has taken precedence over social management, to such an extent that we can now consider that it exerts an almost complete domination. Both fields often present common or related issues and methodologies, and we can consider that the object of societal management today would be precisely to encompass the environmental and social concerns.

Although there is no universally accepted definition of the emerging economy, we can structure it on the following three elements according to the CEPII definition (Haudeville, 2012):

- an income level below the OECD average;
- sustained economic growth accompanied by openness growing over a relatively long period;
- attractiveness for international investors.

In order to disseminate our research, we organized our paper in 5 sections. Section 1 – short introduction, section 2. problem statement - analysis of issues raised from analyzing a group of representative documents that address globalization in emerging countries and identify social costs; section 3. research methodology - describes the methodology and analysis process; section 4. results - presents findings obtained by referring to different criteria based on the investigation methods. After that, in section 5, we present concluding remarks and briefly summarize the conducted study.

2. Problem Statement

Societal management is now particularly interested in reporting and external dissemination of environmental and social information for the benefit of various stakeholders. This management is more concerned with external evaluation than internal management. In this sense, Crowther (2000) defines this form of management as: “An approach to inform about the activities of the company, which highlights the need to identify socially relevant behaviours, to determine those for whom the company is socially responsible and to develop the appropriate techniques to the measurement and reporting of societal performance” (Crowther, 2000).

Societal management therefore has specific characteristics that make it differ from financial management. These characteristics can be synthesized as follows:

- social management assumes that companies have broader responsibilities than the simple function of making money for their shareholders;
- the approach involves the recognition of the role of the company as a producer and agent of income distribution between different groups, but also the measurement of benefits and social costs resulting from its activities, the company must therefore report on “samples” taken from the social part (Chevalier, 1976);
- it is a process of identification, data entry and presentation information which presupposes an organization capable of perceiving, taking into consider the effects of their actions, evaluate the alternatives and report on the possible improvement decisions;
- the process involves communication to specific interest groups and towards society in general, which is therefore not limited to traditional role of financial management of providing financial accounts to shareholders;
- it can involve the recognition of stakeholders, a desire for dialogue and an organization of relationships with them (Mathews, 2001);
- it involves the extension of the dissemination of information to data on employees, products, services provided to the community, prevention and reduction of pollution; it is about evaluating and reporting using financial indicators, but also through other assessment methods, without necessarily having a specific concern for measurement (Marquès, 1977);
- it is a continuous and dynamic process of iteration and negotiation.

Antheaume and Teller (2001) realized a synthesis of the literature on determinants of the dissemination of extra-financial information in the globalization context. They grouped together the research arising from this literature according to three ways of understanding business-to-society relationships: financial, cynical and civic. They also offer in their research a summary theoretical reading framework, as well as strategies for disseminating societal information associated with them (Table 1).

Table 1. Strategies for disseminating societal information

Comprehension	Reading grids	Dissemination strategy of information
Financial	Normative theory of the agency Positive theory of accounting	Financial reporting communicates only the information affecting shareholders

Cynical	Economic and political theories of information	The dissemination strategy results from a balance of power between the company and its socio-economic environment (appreciation of the cost of publication information and risk exposure of the company to public revenge)
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Source: Antheaume &Teller (2001)

The analysis of the main specialized research papers identifies the main factors of inequality: spatial inequality, informal economy; education; impact on employees.

The spatial inequality of development represents the forces that underlie regional inequalities and are somehow challenging to disentangle. It is widely confirmed by different empirical analyses involving historical, geographic, and institutional factors. This suggests a basic strategic orientation of the development of regional competitiveness through prioritizing measures for the spatial integration of action over the territorial balance of economic growth. Meanwhile economic spatial differences may arise from imbalanced political power between favoured and lagged countries all together associated with “weak” public institutions.

Informal economy: although it is difficult to assess the extent of the informal economy, some indicators are suggesting that informal economic relations are widely spread in Indonesia and India and, to a lesser extent, in China, Brazil, South Africa, and the Russian Federation. In Indonesia and India there is a disproportionate number of informal employments among homeworkers, women, street vendors and sub-contractors of formal enterprises (Van Zanden, 2013). In China, the state is making undeclared workers and migrants redundant, and the informal employment is represented by collective urban enterprises. The informal jobs, in Brazil are represented by employments in low labour sectors (hotels and restaurants, construction, agriculture, domestic services and retail trade).

At first view, informal activity does not mean overall higher income inequality. Due to increases in household incomes, informal work is somehow favoured. Some empirical evidence exists and assess the view that informal economic relations is positively related to higher income inequality (Elgin & Erturk, 2019). In emerging economies, this result reflects the interaction of several strengths (Jutting & De Laiglesia, 2019). First, informal employment carries a fairly high wage penalty important. Second, it is

significantly more volatile than formal employment. Third, it considerably limits the possibilities of building up capital human and career progression. Moreover, despite a person's employment prospects, this includes the low-skilled workforce and contributes to the persistence of income inequality.

If there may be among informal workers a group of volunteers in the top of the income distribution, most of them unwittingly end up in the informal sector. Informal activity affects the most disadvantaged, for example young people and low-skilled workers who, for demographic and level reasons studies, represent a relatively large share of the labor supply in emerging economies (OCDE, 2017).

The informal sector has quite many self-employed workers with decreased levels of education, reflecting low productivity and low-income levels. It is important to note that due to informal work a large number of workers do not fall within the scope of application of market regulations labor and social protection. Only the best of the employees working in the formal sector are insured in the event of dismissal. And even so, for a good part of them losing their job means a deterioration of work and life conditions. A redeployment of the workforce requires workers high economic costs and a mismatch of supply and demand which affects negatively wage gains and labour productivity (OCDE, 2010).

Education remains an intrinsically important factor when assessing inequality. Educational institutions that provide to children from different backgrounds with the same access to quality education are usually associated with good employment prospects and higher average wages (Radu et al., 2011). Additionally, education tends, more and more, to be increasingly associated with well-being and positive social outcomes such as health and willingness to engage in social activities (Toplicianu & Tanase, 2019). By promoting social cohesion, increased educational opportunities have beneficial effects for the whole of society. Educational levels have improved markedly in emerging economies, except for India and South Africa that are now similar in primary education levels to OECD countries for young, even so, the education levels remain low for secondary and higher education (OCDE, 2019; OECD, 2010). Notwithstanding the improvements obtained, the numbers vary markedly both between geographic regions and between population groups; in other words, the rates are lower in rural areas and significantly low for girls than for boys.

Whereas in most emerging economies, each municipality generally offers a primary education, access to secondary education may require moving to urban areas and no access for disadvantaged children disadvantaged from rural areas households, especially girls who are spending their time participating in household chores. In many emerging economies,

the lack of role models for young girls or deeply rooted social roles continues to prevent the bridging of the gender gap in education.

Impact on employees: The huge disparity in labor income in emerging economies is attributable in large part to marked spatial fractures, the persistence of a high proportion of jobs in the informal sector, and disparities in access to education. Empirical studies point to the fact that, in the labor market, discrimination gender-based and racial-based factors are essential factors in explaining the high levels of income inequality in most emerging economies. In this context, it is vital not to attribute the related wage gap to sex discrimination. Some factors that contribute to explaining this inequality are assessing different skills and work experience and the sectoral constitution of the working classes.

3. Research Methods

The research method used is of qualitative type and involved the analysis of studies, articles, scientific papers available in the WOS platform in accordance with the ideas defined in the previous sections (Tăbîrcă et al., 2019). The expected results of the research refer to the identification of the factors that influenced the globalization process in emerging countries following by the main groups of social costs identified.

4. Results

The gradual reduction of inequalities in emerging economies is a vast long-term challenge that can be part of the context of a multiple approach focusing on the following four points:

- a. Improving incentives for the development of formal employment.
- b. Offering social assistance to persons in need.
- c. Acknowledgement of education benefits.
- d. Preparing to higher financing social expenditures.

Consistent with the research method used, the authors were able to identify the typology of factors influencing the globalization process in emerging countries. At the same time, their correlation was made with the main groups of social costs previously identified.

The relevant factors that influence the size of the social costs of globalization in emerging countries are:

Trade liberalization. All states must open their markets to foreign products, even if domestic industries do not face competition. There is the possibility to benefit from capital flows and technology transfer, and free

access to new markets. This factor influences the targeting of social assistance to those in need.

Increasing the share of the private sector. The global trend in economics is liberalization. Economies are much more open, and a fundamental role is allocated to foreign investment and the private sector. This factor influences improving incentives for developing a formal job and allowing to finance higher social expenditures.

Development of financial flows. Market internationalization has generated increased competition in the financial system and greater fluidity in capital markets. At the same time, deregulation has practically affected the whole field of finance. It attenuates the traditional distinctions between long-term and short-term markets, between stock and bond markets, and between commercial and business banks. This factor influences the targeting of social assistance to those in need and the spread of education benefits.

Attracting foreign investment. Investing in a foreign country is a relevant decision of the private sector. Investors will take into account the following elements: economic factors, socio-political environment, quality of existing infrastructure. Economic factors include, but are not limited to, profit, security provided by the host country, economic growth rate, fiscal and monetary policy. Social and political stability, good governance, features increasingly sought after by investors.

On the other hand, the price and quality of labor are essential for attracting foreign investment. The level and quality of infrastructure, especially communications and telecommunications, is also a key element in attracting investors. This factor influences all types of social costs.

The development of ICT brings a fundamental contribution to the globalization process. Integration cannot be achieved if communications are impossible. This is why the communications and telecommunications sector is most affected by a global presence. The factor influences: the spread of the education benefits and higher financing of social activities shortly.

5. Conclusions

By changing income distribution and improved taxation systems, emerging economies can adjust to better social systems and transfers. When appropriately assessed to reflect the national context and priorities, these redistributive policies can be useful tools for combating inequalities. In this context, one of the common denominators highlighted of different possible actions examined below is to help promote equality while playing a catalytic role in creating quality jobs.

Without considering that we have identified all the social costs and factors that influence globalization in emerging countries, this research can be the starting point for new analyses based on the observations of the literature.

One of the substantive assessments of globalization is its measurement, identifying the main actors (winners or losers) and also measuring the impact of these social costs.

The idea of free movement was built for the purpose of the globalization process, while the concept of public interest is minimized: the public interest should adapt to the new reality of globalization.

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