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Horizon Scanning SR023

## HSE Horizon Scanning Intelligence Group Short Report

### Globalisation

Status: Watching Brief
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#### 1. Issue

The potential impact of globalisation on work-related health and safety in Great Britain.

#### 2. Background

Globalisation is the growing interdependence between the economies and businesses of different countries. Globalisation has been growing for centuries and in particular since the end of the World War II. It is driven by many factors, but key amongst those that have driven the major increase over the last decade or so are improved communications, cheap travel and transport, deregulation of trade barriers and development within individual economies. The former Department for Trade and Industry (now the Department for Business, Enterprise and Regulatory Reform) considers globalisation to be good for the UK and to benefit developing countries too.<sup>1</sup>

However, developments since late 2007 illustrate just how vulnerable economic stability can be. The credit crunch, resulting in a decline in demand for goods and fluctuations in oil prices is threatening the current globalisation model. The current recession could lead in the short term to a rise in economic protectionism, which will delay recovery through a dampening effect on international trade. There are some signs of this, although the G7 ministers<sup>2</sup> and the G20 leaders<sup>3</sup> have pledged to work against protectionism. The continued failure of the Doha Development Round<sup>4</sup> – talks aimed at further reducing trade barriers, is also a factor limiting further progress, particularly for developing countries but with less direct impact on the UK.

While it is generally predicted that the recession will eventually ease, in the longer term, the future of globalisation is not so clear. Increasing wage levels in developing economies, coupled with factors such as more stringent environmental and other legislation could mean that it may not always be so attractive to transport goods halfway round the world, especially if the price of oil were to show an upward trend in the future, resulting in increasing transport costs."

#### 3. Relevance to occupational safety and health

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<sup>1</sup> DTI Trade and Investment White Paper: Making globalisation a force for good, 2004, <http://www.dti.gov.uk/europeandtrade/trade-policy/t-i-white-paper/page23431.html>

<sup>2</sup> <http://www.ft.com/cms/s/0/f3ef12a8-0117-11de-8f6e-000077b07658.html>

<sup>3</sup> <http://www.londonsummit.gov.uk>

<sup>4</sup> [http://www.wto.org/english/tratop\\_e/dda\\_e/dda\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/dda_e.htm)

Globalisation is not itself a health and safety issue, but it drives many changes that may impinge on health and safety. For example:

- The current trend away from manufacturing in the UK has been driven by low labour costs and the increasing skills and capability overseas and by cheap transport. Could a reversal bring about a revival in manufacturing in Britain or will skills and capability losses continue?
- The increase in offshoring of knowledge based jobs, driven by cheap labour and cheaper and improved communications and leading to shifting workplace demographics in the UK and management issues of dispersed workforces.
- A global economy impacts on our working patterns – the need to be always available to cope with time differences can impinge on work/life balance. The need to deal with other cultures and other languages places additional psychosocial demands on workers.
- Globalisation affects migration of workers from one country to another. Migrant workers can be at higher risk than indigenous workers. Illegal migrants could be at higher risk still.
- The increasing length of supply chains as goods made overseas pass through complex outsourcing networks make it difficult to monitor the quality, authenticity and traceability, which could lead to health and safety problems resulting from their use, while at the same time making it difficult for HSE to deal direct with manufacturers. The lack of customs checks across the EU could add to difficulties.
- Foreign direct investment into Britain – the purchase of British companies by overseas owners - may result in the importing of different health and safety cultures. Although bound by UK law in this country, they may not always appreciate the importance attached to health and safety.
- Major changes in global trade could have significant impacts on the UK economy, driving societal change. Gordon Brown, when Chancellor in 2007, claimed that unskilled Britons would find themselves without jobs in ten years as a result of globalisation.<sup>5</sup> UK competitiveness in a global market is one of the uncertainty axes in HSE's Scenarios for the Future of Health and Safety in 2017.<sup>6</sup>

#### **4. Recommendations**

The uncertainty surrounding the future of the world's economy means that we need to monitor the trends described above and to try to anticipate their impact on the workplace in Britain and any changes that may mean for health and safety.

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<sup>5</sup> <http://www.timesonline.co.uk/tol/news/politics/article1308618.ece>

<sup>6</sup> <http://www.hse.gov.uk/horizons/scenarios/index.htm>