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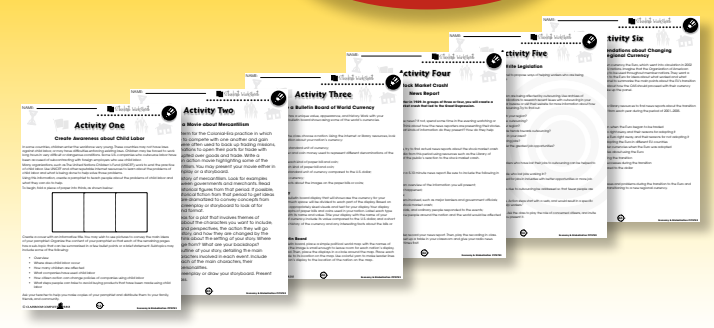
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Outsourcing



1. Imagine that a company in the United States is moving one of its factories to another country where the cost of paying workers is much less.

a) How do you think this move might affect people where the factory closed?

b) How do you think this move might affect people where the new factory will open?

c) How do you think this move might affect the company?



Outsourcing



The basic mission of a corporation is to provide profits for shareholders, so it is beneficial for a corporation to lower costs of **labor** – the human activity that provides goods or services. **Outsourcing** is a way for a company to lower labor costs by having its labor performed by another company. Outsourcing labor often involves moving labor and production from a developed nation to a developing nation. There, the costs of labor can be much cheaper. The **cost of living**, a measure of a family's everyday expenses, such as food and transportation, is often much lower than that of industrialized countries. As a result, wages are much lower, too. Also, many developing nations have fewer labor laws. Companies working in developing nations may not have to pay their workers a standard minimum wage or provide **benefits** that they provide in developed nations, such as health insurance and retirement funds. Workers often work longer hours than workers in developed nations. Other factors, such as lack of environmental regulations and certain taxes, may also contribute to lowering the costs of doing business in developing nations, and provides companies with incentive to outsource.

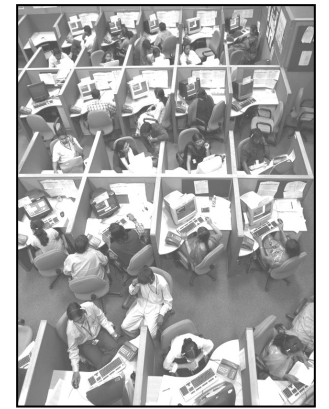


What is outsourcing?

Problems with Outsourcing

Outsourcing can help companies be more profitable. However, outsourcing can cause problems in both developed and developing nations. When a company based in a developed nation, like the United States, decides to outsource labor, workers in that country lose jobs. When a whole industry goes through a phase of outsourcing, the economic impact on communities can be devastating. For example, the outsourcing of industrialized labor in the manufacturing and automotive industries in the 1960s and 1970s harmed the economy and way of life in many industrial towns in the northern U.S.

The effects of outsourcing on developing nations may be mixed. People in developing nations receive jobs from outsourcing, which in turn can help local economies. However, many jobs require workers to work very long hours for very low wages. The lack of regulations in some countries can lead to the exploitation of workers and environmental damage. Communities can suffer as pollution increases.



Outsourcing call center jobs to India



Outsourcing



1. Write each word beside its meaning.

outsourcing
incentive

cost of living
labor

benefits
pollution

- a) payments or rights given to employers, such as health insurance and retirement funds
- b) the practice by which one company has its labor performed by another company, often in a developing country
- c) harmful substances that people put into the environment
- d) something that makes it beneficial to take a certain action
- e) the human activity that provides goods or services; workforce
- f) a measure of a family's everyday expenses such as food and transportation

2. a) On the spaces provided, list three factors that make it less expensive for a company to outsource labor to a developing nation.

b) On the spaces provided, list two problems with outsourcing.



Activity Four

Design Your Own Multinational Company

Imagine that you are starting up a multinational company. Think about the goods or services you would like to offer. Ask yourself the following questions:

- What kinds of people would most likely be interested in your goods or services? This is your target market. In what nations would you like to offer your product?
- What kinds of assets will your company need in order to produce your goods and services? Where might those assets be located?
- What kinds of intellectual property will your company own? How will you protect that intellectual property?
- What treaties or organizations govern the trade that your business will engage in? What will you need to do in order to comply with regulations?

Write a business plan for your own multinational company. The business plan should include the following elements:

- a statement of the goods you will produce or services you will offer;
- a description of your target market;
- a logo;
- a description of your company's intellectual property and how it will be protected;
- a list of assets you will own and their locations;
- an estimate of the number of people you will employ and in what countries;
- a list of countries where your goods or services will be offered;
- a policy statement about whether or not you will outsource, under what conditions, and where you will outsource to;
- a statement describing what international treaties you must abide by, and what national and international organizations have policies that govern your business activities, and how you will comply with those treaties and policies.



Crossword Puzzle!

Across

- 3. multinational _____ offer goods or services in more than one nation
- 8. laws protect _____ property such as art and inventions
- 9. an international agreement
- 10. the movement of people across national borders to live and work
- 12. a medium of trade
- 14. shells were the longest-used currency

Down

- 1. the selling of nationally owned assets to a corporation
- 2. the identifying image of a corporation
- 4. a person who migrates to escape war or natural disaster
- 5. protects a logo
- 6. shares in a corporation
- 7. protects an invention
- 11. things from nature needed in order to survive
- 13. trade

Word List

commerce	immigration	refugee
copyright	intellectual	resources
corporations	logo	stocks
cowrie	patent	treaty
currency	privatization	



Word Search

Find all of the words in the Word Search. Words are written horizontally, vertically, diagonally, and some are even written backwards.

- | | | | | |
|--------------|---------------|-------------|---------|----------------|
| assets | barter | benefits | coins | commerce |
| copyright | currency | domestic | economy | European Union |
| GATT | globalization | immigration | labor | logo |
| mercantilism | migrate | outsourcing | patent | refugee |
| resource | segmented | stocks | trade | trademark |
| transaction | treaties | WTO | | |

Comprehension Quiz

Part C

Answer each question in complete sentences.

1. Explain the goals of the Bretton Woods Conference in 1944. 1

2. Describe what Foreign Direct Investment (FDI) measures. 1

3. Describe two main reasons why people migrate across national borders to find work. 2

4. Explain what outsourcing is and why companies sometimes choose to outsource. 2

Outsourcing

Positive Attributes



Companies in developed nations gain lower costs of labor, increasing the profits for shareholders



Companies in developed nations receive higher-quality products



Jobs are created in developing nations, helping the local economy

Negative Attributes



No benefits, lower wages, and longer hours for workers in developing nations



Loss of jobs in developed nations, resulting in poverty and harm on the local economy



Pollution increases in developing nations, causing environmental damage



Outsourcing



3. Answer the question with complete sentences.

- a) Imagine that you are working for an international group that is making recommendations about how to regulate the practice of outsourcing. Based on what you learned about outsourcing, write a paragraph making recommendations about how to reduce the negative impacts of outsourcing.

Research

Write a Case Study

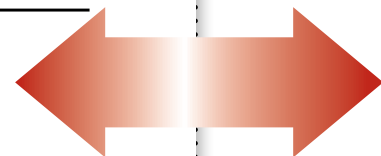
- 4. Learn more about a specific example of outsourcing. Using the internet or library resources, research an example of outsourcing. If possible, find an example that affected people in your community or region. Try to find out:

- what company outsourced the jobs;
- how many jobs were lost;
- where the company planned to buy labor from;
- how the economy was affected in the community that lost jobs;
- the effects on the community that gained jobs;
- whether people who lost jobs were able to receive assistance such as retraining.

Using what you learned, write a case study. Describe the case in an essay using complete paragraphs. Conclude your essay with a paragraph stating your opinion or making recommendations.

3.

- a) Answers will vary.



EASY MARKING ANSWER KEY

