

GLOBALIZATION IN INDIA: IT'S IMPACT ON LABOUR MARKETS

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ABSTRACT:

Globalization has many meanings depending on the circumstance and on the person who is talking about. The term globalization refers to the amalgamation of economies of the world through uninhibited trade and financial flows, as also through reciprocal exchange of technology and knowledge. Supremely, it also contains free intercountry movement of labor. Globalization has played a major role in export- led growth, leading to the enlargement of the job market in India. Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and her billion plus population. Globalization has led to unprecedented environmental changes. It has repercussions for the polity and industry. The concept of sovereignty is being re-looked. The movement of capital, products, technology and people is affecting the industry and how it functions. Labor, a crucial factor of production has been greatly affected. Labor markets all over the world are changing fast due to globalization. These changes are much more important and crucial for labor force in developing countries as they are more vulnerable and are not covered or inadequately covered by social security schemes. This paper attempts to focus on the impact of globalization on the labor force and tries to delve on some of the ways to respond to the emerging situation. The paper begins by defining globalization through its characterizing features. After considering the impact of globalization on poverty and inequality on the basis of existing evidence, the paper goes on to consider in detail the various channels through which globalization has impacted on and will continue to t the functioning of labor markets in the developing world.

Keywords: India, Globalization, economy, Labor markets

INTRODUCTION:

The concept of 'globalization' has disproportionately engaged the attention of researchers, academics, policy makers and social activists the world over. More recently, and perhaps more overtly, the debate has shifted to the perceived consequences of this phenomenon, albeit it's extremely broad and somewhat nebulous defining characteristics. At times, this reaction has been transformed into public displays of anger towards a system that is believed in some quarters to benefit the few at the expense of the many, and to perpetuate and exacerbate the poverty and inequality experienced by most of the world's population today. This paper however does not profess to provide any fundamental evaluation of the impact of globalization on the developing world's growth and development trajectory. Instead the paper is narrower and more modest in its scope. The intention is to try and characterize the

phenomenon of globalization in its different manifestations, and to assess the relationship between globalization and poverty & inequality - both within and between countries. The key contribution of the paper though is its explicit focus on the labour market as the conduit through which the social and welfare impacts of globalization are transmitted. The intellectual anchor here is the notion that access to income determines the nature of household poverty and inequality in a society; and in all economies the labour market remains the key access point for this income accumulation. Simply put, the labour market remains the filter through which the distributional and poverty outcomes of globalization are shaped.

It remains critical therefore that the impact of globalization on an economy's labour market is detailed. Globalization, measured in terms of trade liberalization, is considered an effective tool for economic development, poverty and income inequalities reduction. Trade equalizes factor as well as product prices (Samuelson, 1948). Despite economic gains from trade liberalization, concerns have been raised over the effects of trade liberalization on the labour market in terms of employment and wages because during the process of adjustments, some will be losers and some will be gainers. The direction of job creation depends on comparative advantages relative to the scope for relocating production and jobs. Further, wage formation also depends on the trade position of the country. Empirical evidence shows that export opportunities tend to improve labour market prospects, while the import threat does the opposite. Further, trade liberalization firstly reduces wage inequalities and then increases wage inequalities and as a result, the relationship between openness and wage inequalities is observed as a U-shape relationship.

REVIEW OF LITERATURE:

Hrushikesh Panda and Jaiwan Ryou (2007)⁶⁰ examines that during the period from 1980-81 to 1997-98 an increase in employment in organized manufacturing industries came as a result of growth of real gross value added. The employment intensity of real gross value added declined over time and thus contributed negatively to the growth of employment.

Rana Hasan & Devashish Mitra and K.V. Ramaswamy (2007) in their article titled “Trade Reforms, Labour Regulations, and Labour Demand Elasticities: Empirical Evidence from India” published in *The Review of Economics and Statistics*, MIT Press, Vol, 89(3), pages 466-481 finds a positive impact of trade liberalization on labor-demand elasticities in the Indian manufacturing sector. These elasticities turn out to be negatively related to protection levels that vary across industries and over time.

Geeta Nair (2008) in an article titled “Post Reform Labour Market Paradoxes in India” published in *International Review of Business Research Papers* Vol.4 No.4. Aug-Sept. 2008, Pp.396-405 attempts to review the impact of the ‘New Economic Policy’ on employment in India by highlighting the ‘jobless’ nature of growth and emerging paradoxes in the labor market via the case study of 150 industrial units. The pattern of industrialization accentuated sectoral imbalances that were hastened by a technology-intensive growth that led to a fall of organized sector jobs and rise of the unorganized segment, along with in formalization of the formal sector itself due to subcontracting, back-processing, and out-sourcing of production. Thus, the quantum of employment suffered a setback, along with its quality and security. The blind acceptance of flexible labor policies propagated by the World Bank model without ascertaining the ground realities is proving to be disastrous, particularly in the absence of social security or a welfare state. A revisit of globalization and the repercussions of its

attendant Neo-liberal policies are pleaded for in the name of India's newly avowed goals of 'inclusive and humane' development via meso-economic analysis.

T.S. Papola (2008)⁶³ in his article "Employment Challenge and Strategies in India " published in ILO Asia Pacific Working Paper Series, Sub regional office 53 for South Asia, New Delhi, 2008 looks at the employment challenges faced by India within the framework of "ten core elements" identified by the Global Employment Agenda of the ILO. These elements relate to trade and investment, technological change, sustainable livelihoods, macro policy, entrepreneurship development, skills development, active labour market policies, social protection, conditions of work and poverty reduction.

SOURCES OF DATA COLLECTION:

Data were collected from secondary sources. The Data collection was a pains taking effort, and all endeavors were made to collect the relevant information with missionary zeal. Secondary sources of data were used to prepare this paper. They include annual reports, office records, files, brochures and other published and unpublished material as well as books, and Government reports, internet.etc.,

WHAT IS GLOBALIZATION?

We hear a great deal about globalization in the media, from the government, and in both academic and popular discourses: the refrain that we live in a 'globalised world' is almost constant. But what is globalization, and what does it mean to live in a globalised world? There are many definitions, most referring to increasing levels of integration between different human societies across a variety of dimensions. These include economic integration (production networks, trade, finance and regulation), cultural and social integration (the creation and dissemination of popular culture, migration, travel and tourism, patterns of consumption), and regulatory and institutional integration (conducted through institutions such as the United Nations, the World Trade Organization, the International Court, the International Monetary Fund, the World Bank and the Bank for International Settlements). In this respect, globalization is an elite discourse, which constructs and interprets the phenomenon in particular ways. The notion of globalization as an inexorable and inevitable external force, which creates distinct opportunities and threats for societies and communities, has proved particularly powerful (Coe and Kelly, 2002). Such discourses of globalization have a self-actualizing quality, actively fostering integration through reforms such as privatization and deregulation. Nation-states have played a particularly important role in facilitating globalization through policies such as liberalizing trade, abolishing capital controls and creating flexible labor markets. In this report, we shift the focus away from such 'top-down' models of globalization to a perspective that highlights the experiences of communities, individuals and social groups. To this end, we define globalization as

- The historically mediated, uneven processes, facilitated through new technologies and mobility's, through which some actors, places, institutions and markets have become increasingly interconnected. This definition highlights the differentiated nature of globalization: while some individuals, groups and communities have become more globally 'linked-in' as a result of globalization, others are experiencing new forms of disconnection and exclusion (Taylor, 2002).

In line with this approach, we have explored the impact of different globalizing processes on communities, rather than thinking in generic terms about the relations between globalization and places. To make globalization relevant to the lives and experiences of research

participants, it was necessary to engage with specific globalizing processes. The main global processes with which we are concerned are: corporate restructuring driven by global competition, particularly 'off shoring' and the search for cheaper supplies of labor; the increasing reliance upon subcontracting; labor migration and flows; the growth of information and communication technologies (ICTs); and greater trans-local cultural connections

DEFINING AND CHARACTERIZING GLOBALIZATION

The word 'globalization' remains a composite term utilized to capture a variety of contrasting phenomenon that are often, in and of themselves complex and multi-faceted. In its simplest form, globalization is meant to impart the notion that the world through its numerous nation-states has increased its inter-connectedness at a tremendous pace over the last two to three decade. We will concentrate here purely on the economic manifestations of globalization. We deliberately ignore therefore issues relating to for example, culture, crime, environmental degradation that are clearly essential to a more complete appreciation of the phenomenon of globalization.

Given the above emphasis we can thus identify five key economic markers of globalization. These are:

1. The growth in trade flows between economies around the globe.
2. The proliferation of ICTs, captured more specifically as technological change
3. The rapid growth in cross-border capital flows
4. Intensive tariff liberalization, accompanied by the formation of a number of regional trade blocs and 5. The significant structural changes in domestic economies away from primary production towards service industry output we turn now to dealing discretely with each of these markers of globalization. It has to be remembered that the above four are all intricately inter-linked.

Trade flows for example have undoubtedly facilitated the spread of ICTs; changes in trade policy regimes have encouraged or hindered trade flow trends and so on. As alluded to above, the period of globalization will refer here to the period beginning in the early 1980s, although it is recognized that more generally this period does not capture the full evolution of world economic integration.

LABOUR MARKET SCENARIO:

Before we analyze the effects of globalization, let us briefly describe the labor market scenario. Marked by dualistic category, informal sector had always existed in the Indian economy. Development literature of the fifties and early sixties presumed that capitalist accumulation in the modern industrial sector would absorb the surplus labor from the traditional sector leading to economic grow. Until then, welfares measures were prescribed for informal labor waiting to be integrated into the formal economy. But unprecedented as it was, the sub-economy increased in size over time. Legalist approaches along with minimum wages etc. were suggested to erase the marginality of the 'unorganized' informal sector to enable welfares interventions. Yet then, the informal sector persisted. With the present globalization in the 1990s, the process of informalisation of the labor force has exacerbated and taken a new turn. Global competition has forced large scale enterprises of the formal sector to out-source their production process to smaller informal firms where wage cost and cost associated with labor and environmental standards are substantially low. Further, large

scale retrenchment of labor has taken place through VRS in pursuit of high productivity. With the aim of 'rightsizing' the firms, creation of new jobs has been outpaced by job-loss, and surplus labor from the formal sector is being thrown out into the informal. These two types of informalisation, out-sourcing and lay-off, are increasing the informal economy enormously, so much so, that today formal labor constitutes just 6 percent while informal sector, with its already high rate of growth has acquired the enormous size of 94 percent of the labor force.

The dual structure that was distinct in terms of capital labor relationship is no longer easily discernable as two opposite hold-ups for labor, any longer. The labor force may be best described as a continuum of labor with different degrees of insecurity, wage structure and production relation with the exception of one category of highly skilled, highly paid professionals – the labor- aristocrats, if we may call them. Herein lies the problem of maintaining labor standards on the one hand and on the other, providing social security for the labor force, both precipitated by the process of globalization.

WHAT IS THE EFFECT OF GLOBALIZATION ON THE EMPLOYMENT LEVEL?

The importance in studying the effects of globalization on the labor market lies in the fact that earnings from labor represent the main source of income for the great majority of the inhabitants of developing nations and especially of the poorer groups of workers, who lack ownership of any other material assets.

HOW DOES GLOBALIZATION AFFECT THE LABOR MARKET?

Positive Effects

- Positive effects can occur as a result of the increased capacity of developing countries to create new opportunities for work and production following the alleviation of price distortions with respect to both labor and capital. (ESCWA 1999:24).
- FDI has both direct and indirect effects on employment creation in the recipient countries. This depends on the size and type of investment, the type of technology adopted and the ability of the host country to master the imported technology and adapt it to its needs.
- FDI also has indirect effects on employment through the vertical links to the TNCs, and there may also be spillover effects of TNCs on local science, technology, education and training.

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NEGATIVE EFFECTS:

Negative effects occur as a result of large-scale technological developments that accompany this phenomenon, which will reduce the demand on unskilled labor. Even direct foreign investment does not care for cheap workers but only for highly skilled workers. The traditional nature of "work" might disappear due the rapid advances in technology, while at

the same time creating new and innovative occupations in favor of the highly specialized professions.

- An increase in hidden unemployment, a lack of new job openings, and a deterioration of real wage rates are the consequences of globalization in most developing economies, which were unable to adapt the new technologies.
- Moreover if the labor clause, will be enforced through the WTO, this will have a negative impact on economic growth and employment in many developing countries, where child labor exists and where working conditions are miserable (Nassar,2003).
- Most trade liberalization benefits will be received by the manufacturing-producing countries, while the smallest share will be going to the agricultural-producing countries (developing countries).
- In addition policies of structural adjustment such as privatization imply an increase in unemployment since privatization is accompanied usually by a reduction in the demand for labor.
- Finally the theoretical predictions about the employment consequences of trade liberalization are based on assumptions of full employment of resources and flexible labor markets. These assumptions might not hold true in developing countries where labor markets are inflexible due to structural factors.

GLOBALIZATION ITS IMPACT ON LABOR MARKET IN INDIA:

The impact of globalization on Indian labor markets has re-emerged as an important policy issue, reflecting the broader public debate about the interrelated concerns of downward pressure on wages, increased job insecurity, and jobs moving from Organization for Economic Co-operation and Development countries to developing countries with lower wages. It is only the nature of labor and the context in which it operates to produce socially useful goods and services that change from time to time. A Society's needs are best fulfilled, and a nation's aspirations are best served by responding to such changes with periodic revisions in laws and regulations so that labor creative power may always remain unfettered. Of Course, in doing so, the needs and interests of labor have to be adequately safeguarded. It is with these universal guiding principles that I would like to touch upon the issue-Globalization: Its Impact on Labor in India. Globalization, the concept being used generally since the 1990s to describe the latest changes in the world economy, implies a particular geographical conception of the world. Globalization as a process is still evolving and hence the space is also evolving. Labor when combined with other factors of production will be able to generate wealth. But a large share of such wealth generated is taken over by the capitalists and a very meager portion is shared with the laborers. Due to several reasons Trickle Down policy has failed in India to large extent. The Impact of globalization on the world workforce relating to few important aspects, which are also its consequences and that is affecting the people of the world adversely as a whole is highlighted before examining the impact of globalization the people of India. In both poor and rich countries, dislocations from economic and corporate restructuring and dismantled social protection have meant heavy job losses and worsening employment conditions. With an increase in labor market flexibility, casualization of labor will increase further in India.

CONCLUSION:

The emergence of India as major trading countries during the closing decades of the 20th century and the associated rise in technologically enabled offshoring is certainly, from a historical perspective, a “big deal”. Offshoring may have potentially long-lived effects on the sectoral distribution of employment, relative wages, and the job security of workers, many of whom were previously not exposed to international competition. The impact on workers in specific types of jobs or at different skill levels may be sudden and unpredictable. For the economy as a whole there could be large disruptions in the short run, particularly in countries with relatively inflexible labour markets. However, a variety of factors suggest the process is likely to play out over a relatively long time period. In the long run, most economists and policymakers agree that this most recent episode of globalisation – like previous episodes – will have beneficial economic effects, not only in India but also in their trading partners. Insecurity in local labour markets, are associated with disempowerment and disaffection. economic globalisation and increasing labour market competition can bring about a deterioration in working conditions, an increase in temporary and nonstandard forms of work, and job losses for workers. This overarching point about connection generating disempowerment can also be made in the case of young unemployed people in India. While this seems, on first inspection, to be a clear example of disconnection resulting in marginalisation, the root cause of disengagement from the labour market is the wider process of deindustrialisation related to the globalisation of labour markets. Rather than simply emphasising the degree of connection that globalisation engenders, researchers and policymakers at all levels need to focus more attention on understanding and addressing the positive and negative impacts of new forms of connection, such as technological change and increased global labour market competition, on Indian communities. A crucial issue, however, is that communities’ capacity to influence and shape global processes is often limited, particularly with regard to the global economic processes that structure labour markets.

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