

Globalization and Labour Markets: Emerging Perspectives

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ABSTRACT

Globalization is clearly contributing to increased integration of labor markets and closing the wage gap between workers in advanced and developing economies, especially through the spread of technology. He also outlines the important elements of the policy framework in generating decent work in the wake of globalization. The implications of Globalization for labour markets. It also plays a part in increasing domestic income inequality. But erecting protectionist policies to stanch the forces of globalization is not the best response. Policymakers must instead focus on what can be done to help workers adjust to a changing world. Developing countries' weak social safety nets and relatively unequal income distributions make them very sensitive to the impact on the losers from globalization. However, their rapid growth and good fiscal positions mean that over time they should be able to build the safety nets available to workers in advanced countries. In designing safety nets, policymakers in developing countries should try to protect workers if unemployed or injured, but would be ill-advised to erect the barriers to firing common in many advanced countries that reduce the overall demand for labor in formal employment.

Keywords: Globalization, Technology, Communication, Employment, Discrimination, Opportunities

Introduction:

Economic liberalization and globalization has had differential impact on labour markets and employment across countries and regions. Its impact on various sectors within a country has also been different. Broadly speaking, the African and Latin American situations have indicated worsening employment and labour market conditions. The cases of countries in East Asia are often contrasted with this largely gloomy scenario. Despite a major economic and financial crisis in 1997, these countries have been overwhelmingly successful in manifesting relatively low levels of unemployment and impressive economic growth rates. In general, the experience of a very large number of countries-both developed and developing-show that growth of employment has declined and informalisation of the labour market has increased leading to greater insecurity in employment conditions and declining social security mechanisms. Inequality in income/ earnings within and across a large number of countries has been yet another consequence of globalisation.

Thus, globalisation- which promised faster economic growth based on unhindered flow of goods, resources and capital across regions and countries based on comparative market efficiency and most efficient utilization of world resources- has led to some disquieting trends and consequences in the labour markets. It has generally excluded than included the already disadvantaged countries, area workers, social groups and women. Thus, the hope that globalisation would benefit the poorer, labour surplus countries and areas has not materialised in case of several countries and regions of the world. One of the benefits of globalization is that more workers are able to compete within the labor market as a whole. In general, this competition is beneficial for everyone, since it provides the opportunity for people to work and for employers to keep costs low by utilizing a large labor pool.

It is theoretically expected that globalization stimulates economic growth by leading institutional

reforms, opening economies to global markets, direct and indirect foreign investments, and technology transfers. Therefore, it is crucial for emerging economies to increase economic growth.

Technology and Technological Progress:

A final issue concerns the nature of technological progress. Globalisation in the form of rapid increase in international trade has been spurred by advances in technology that have lowered the cost of trade. Because of this, many argue that geographic distance is now less of a constraint on trade; indeed, globalisation is sometimes caricatured by the phrase the world is getting smaller. Trade costs, of course, are not only the costs of transportation but also include the costs of search, information, coordination, communication, and so on. With technological advances such as the internet, these costs have fallen dramatically and some have largely been eliminated. This raises the question of whether the pace of globalisation associated with the decline in these costs may slow.

Globalisation in India and its implications for employment and labour markets:

1. Employment and Unemployment :

Over the past two decades and particularly during the 1990s the Indian labour market has witnessed several disquieting features. First, the growth of employment has shown a downward trend. As revealed by the results of the 55th round of the National Sample Survey Organisation (NSSO), there has been a sharp decline in the growth rate of employment (UPSS) from 2.04 per cent per year in the period 1983 to 1993-94, to only 0.98 per cent in the period 1993-94 to 1999-2000. Although this deceleration in employment is accompanied by an equally sharp decline in the rate of growth of labour force from 2.29 per cent in the period 1987-88 to 1993-94, to only 1.03 per cent in the period 1993-94 to 1999-2000, there is no doubt that the employment growth has been inadequate—the growth rate of employment is less than the growth rate of the labour force indicating an increase in the unemployment rate. Employment in sectors like trade, construction, financial services and transport,

storage and communication has grown faster than the average and the share of these sectors in total employment, therefore, has increased.

An important feature of employment growth in India in the post-liberalization period is the considerable slowdown of growth in rural employment, particularly in agriculture, which has almost stagnated during 1999-2000. This trend is a pointer to the difficult situation in which India may find herself, as still the population pressure on the agrarian sector is higher than anywhere else despite its declining contribution in the GDP. This will further widen rural-urban divide. Which is already large and on the rise. The slow pace of employment diversification outside agriculture has been an important concern.

2. Workers' Rights:

The forces unleashed by technology, liberalization and globalization have adversely affected the rights of workers and their bargaining capacity vis-a-vis employers. On the other hand, there is ascendancy in the managerial rights. While the trade unions have weakened, the militancy of employers is on the rise. There are several factors behind these developments. Unionization was largely confined to the organized sector in which the public sector accounted for two-thirds of employment. But employment in the organized sector, which constitutes the base of trade unions, has shrunk. Privatization, downsizing, and resort to contingent and flexible categories of workers have all exacerbated this situation. Although the organized trade union movement witnessed a general decline there has been an increase in the firm level unions. As a result, the federated and central trade unions have experienced further weakened by the ascendancy of managerial rights and new strategies like contracting out, parallel production, and so on. Apart from an aggressive shift in employment from the permanent to temporary, casual and contract employment, there has been a systematic transfer of jobs from the bargainable or unionized category to the non bargainable or non-unionized category by several tactics such as

redesignation of workers.

3. Poverty, Inequality and Hunger:

Incidence of poverty as measured in terms of the percentage of population below poverty line has registered a consistent decline over the past three decades. It has declined from 55 per cent in 1973-74 to 26 per cent in 1999-2000. Poverty in rural areas declined from 56 to 27 per cent and in urban areas from 49 to 24 per cent during the period. Although there is controversy over the extent of decline of poverty in India during the nineties due to changes in methodology, it is generally agreed that poverty level as defined by official head count ratio has decline. However, there is also near unanimity that there has been rise in inequality or relative deprivation. The estimates of the growth rates of per capita expenditure between 1993-94 and 1999-00 point to significant increase in rural-urban inequalities at the all-India level, and also in most of the states. There have been significant increase in differences in wage/salary incomes between those in rural and urban sectors (Deaton and Dreze, 2002). It is also important to note that the decline in poverty among Scheduled Castes (SCs) and Scheduled Tribes (STs) has been considerably slower than in the other categories between 1993-94 and 1999-2000. In the Year 1999-2000, the proportions of population below poverty line among SCs and STs are 36 and 44 percent as against 16 percent in the case other categories of population. Land alienation has been one of the significant factors that have had an adverse impact on the socio-economic well-being of tribals. Discrimination in the labour market further puts them at a disadvantage. Some reports reveal that tribals and other such communities have faced these adversities more severely after the advent of liberalisation and globalisation.

Towards An Agenda For Inclusive Growth:

With the introduction of structural adjustment and liberalisation policies in 1991, the government had initiated several measures to take care of their adverse implications for workers and vulnerable sections of the population. The pronounced policy of the

government was to effect closures or retrenchments only as a last resort, after all avenues of reviving the units were exhausted. And where these measures were inevitable a National Renewal Fund (NRF) was constituted in 1992-93 to enable enterprises to pay reasonable benefits, and assist the works rendered redundant by their retraining and redeployment. Another important objective of NRF was to fund the approved programmes for employment generation. However, although a large amount of money has been spent on NRF, the expenditure-about 93 percent has been mainly on voluntary retirement scheme (VRS) and other aspects which have almost completely ignored. Several studies have shown that displacement of a large section of the workforce through VRS without equipping them with adequate skill and training to re-enter in the job market, has resulted in huge loss of productive manpower. The government of India and state governments also expanded and restricted the existing poverty-alleviation and employment generation programmes to deal with the possible adverse effects of stabilization measures on the poor.

(i) Macro-economic and Employment Generation Policy:

Making the globalisation-led development promote decent work, to begin with, will involve restructuring the nature, contents and pace of various elements of globalisation. State needs to play an active role strengthening its economic and industrial 'base to enable the economy to face global competition'. Macroeconomic policy needs to be formulated and implemented in such a way as to deploy the national and local resources for creating large-scale employment opportunities in the growth process.

(ii) Raising the Productivity of Employment :

Creation of new job opportunities is important to provide work to those already unemployed (even if they constitute small proportion of the workforce) and new entrants in the labour force. But for reduction in poverty, which is a much larger problem than of employment, it is necessary to reduce under employment and raise productivity and earnings of the 'working poor'. It is important to keep growth in the centre of an employment and poverty reduction strategy.

(iii) Balanced Regional Development :

Widening regional disparities are a matter of grave concern particularly because most poor and disadvantaged people live in backward regions and a relative retrogression in their economies is likely to result in their further exclusion from the growth that may result from globalisation. Leaving these backward areas at the mercy of the market forces will definitely further widen the disparity. For the low performing states, the strategy of development need drastic change.

iv. Social Sector :

Human capital endowment is a primary determinant of the capability of a person or group to prevent exclusion and reap the benefits of globalisation. And strengthening the human capital, in general and in favour of the disadvantaged groups in particular, is primarily the responsibility of the state. Public investment in the social sector would play a crucial role in making globalisation exclusionary.

Poverty Alleviation and Employment Generation Programmes:

As has been pointed out earlier, the various poverty-alleviation and employment generation programmes, in spite of their weaknesses, have played an important role in minimizing the adverse impact of globalisation on the poor, particularly in rural areas. However, all efforts are needed to streamline and strengthen the delivery mechanism of these anti-poverty and employment programmes so as to improve their targeting and effectiveness. Lack of coordination among different programmes has been found to be an important reason behind the poor performance of these programmes. The recent efforts initiated by the government in merging the several programmes into one may be able to remove this lacuna to some extent.

Labour Market Reforms and Employment Generation:

As the process of reforms in the economy gets intensified and the indications are that it would be the agenda for labour market reforms would assume importance. It will be a real test of the Indian system

to combine efficiency of the enterprises with measures to safeguard the genuine interests of labour. It entails the provision of adequate separation/retrenchment benefits to the workers along with that of effective schemes of retraining and redeployment. Utmost care and balance is needed while undertaking labour market reforms so that labour is not put to great disadvantage. There is a need to make minimum wage provisions even more comprehensive. Minimum wages in India are extremely low and very often they are lower than poverty-line income.

Skill Development:

Imparting training and skill formation must constitute an important strategy for preventing exclusion from labour market participation. In a situation of short life cycle of modern technology, skill obsolescence is the order of the day. This necessitates continual reskilling through retraining, which requires the installation of an effective mechanism of monitoring the technical demands of industry on real-time basis. The technical training institutions would require this information for ensuring that their training is relevant to the changing needs of labour market. Accordingly, these training institutions would have to be totally free from bureaucratic readoption in order to enable them to continuously redesign the training programmes.

The need for greater emphasis on skill development and vocationalisation of education, has been well recognized by the government and others concerned, but very little effort has yet been made towards creating the necessary capacity and institutional mechanism for the purpose. While private training institutions (i.e. computer centres, management training institutes, etc.) have expanded at a phenomenal rate, they have been mostly of doubtful quality. There is a great dearth of appropriate skill development and training institutions which can cater to the emerging needs of the labour market and, unfortunately the efforts by the government in this regard have only been disappointing.

Conclusion:

The above are some of the important elements of the policy framework in generating productive employment and thus decent work in the wake of globalisation. The important point which emerges from the foregoing analysis is that India has evolved some important mechanisms which, if strengthened and revamped, can provide substantial relief to the poor and help in mitigating adverse impacts of globalisation, to a large extent. Along with the strengthening of the existing mechanisms, innovative policies and programmes. As outlined above, which accord top priority to human resource development, and which are geared towards targeting the vulnerable groups need to be formulated. But these programmes and policies will be effective and purposeful only when proper institutional and governance structures evolve. Many of the elements of the above policy framework have been pursued more or less independent of each other. There is, however, need to have integration between all these to the extent possible. Such a well designed policy regime has the potentiality not only to withstand the onslaughts of globalisation but also to promote decent work and equitable and poverty-alleviating growth in India.

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