

IMPACT OF GLOBALISATION AND ECONOMIC REFORMS ON EMPLOYMENT IN INDIA

T. RADHA KRISHNA,

M.Com.

Lecturer in Commerce

Govt. Degree College, Srungavarapu Kota (S.KOTA),

Vizianagaram Dist. A.P. 535145

Abstract

In a general sense, “globalisation” refers to integration of nations through the process of crossnational flows of goods, investment, production and technology. However, any discussion about globalisation raises several questions starting from its definition to the implications. The questions that are specific to this subject are - What is globalisation? Is it an economic concept? Is Globalisation a new phenomenon? How does the process of globalisation operate? Who are all the major players of globalisation? What are the merits and demerits of globalisation? How to maximise benefits of globalisation? or How to minimise the demerits? What are the problems faced by India and what are the challenges ahead for India in the era of Globalisation? What is the impact of globalisation? Though the objective of this paper is not to provide answers to all these questions, an attempt is made to provide a brief outline on globalisation that becomes a base to understand the economic reforms and the employment scenario in India. The paper is divided in to three sections. In the first section, the basics of globalisation are presented. In the section 2, the economic reforms initiated in India are discussed. In the last section, the trends in employment and the impact of globalisation are discussed.

Introduction

The World Bank defines globalisation as “Freedom and ability of individuals and firms to initiate voluntary economic transactions with residents of other countries”. The International Monetary Fund (IMF) defines as “the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology”. According to Stiglitz “Globalization is the closer integration of the countries and peoples of the World which has been brought about by the enormous reduction of costs of transportation and communications, and the breaking down of artificial barriers to the flow of goods and services, capital knowledge and (in a lesser extent) people across borders.” In the words of Jagdish Bhagwati “Economic Globalization constitutes integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short term capital flows, international flows of workers and humanity generally, and flows of technology”. In a broad sense, the term ‘globalisation’ refers to integration of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. The cross-border integration or connectivity aspect of globalisation has several dimensions such as social, economic, cultural, environmental and political. Needless to state that globalisation is a deliberately adopted economic strategy that stands on trade and technology (2 T’s). But, the effects of globalisation are not just economic, they are social, cultural, environmental and political. While social or cultural or political integration is inevitable in

the process of economic globalisation, they are to be treated as the effects and not the cause. The elements such as trade in goods and services, movement of capital, flow of finance and movement of people ensure the economic integration.

Historically speaking, globalisation is not a new concept. There are several evidences of integration across countries through several forms and flows of goods and services, transfer of capital and technology, and migration of people. The 18th and 19th century evidences are more of imperialist nations efforts towards the colonies and they laid their base on military or political power. The present form of globalisation is basically trade and technology based and driven by market power. In fact, globalisation perceives the economy and politics i.e. market and state, as autonomous units and the nation-state as a minimalist entity. And therefore, the process of globalisation envisages liberalisation, privatization, minimizing economic regulations, rolling back welfare, reducing expenditures on public goods, tightening fiscal discipline, favouring free flows of capital, strict controls on organised labour, tax reductions and unrestricted currency repatriation. In this process, as nations come together some sacrifice of sovereignty is inevitable, but it need not lead to surrender of nation's objectives and individuality. The players of globalisation could be broadly grouped as pro-globalisation and anti-globalisation players. The pro-globalisation players include international organisations such as World Trade Organisation, World Bank, International Monetary Fund, The World Economic Forum, United Nations Conference on Trade and Development, Organisation for Economic Development and Cooperation; public affairs organisations like World Growth, Institute of Economic Affairs, International Policy Network, Competitive Enterprise Institute and World Business Council for Sustainable Development; and countries, institutions and individuals receiving benefits due to globalisation. The anti-globalisation players include anti-free trade NGOs, Environmentalists, Cultural Nationalists, Business Groups threatened by international competition and left critics of capitalism.

The supporters of globalisation argue that globalisation as the engine of growth, technical advancement, access to international resources and their optimal use, raising productivity, enlarging employment, increasing choice on commodities, lowering of costs, improving standard of living, and bringing out poverty reduction along with modernisation. Where as, the critics argue that the causality is more and severe, widens the gap within and between nations, exploitation of resources, decay of environment and loss of national sovereignty. It is the challenge of every nation to take efforts towards maximising the benefits of globalization and minimising the evils of globalisation. To achieve the goals of globalisation, countries are forced to orient their policies towards exports and outward oriented growth. Several agreements are signed between countries and efforts are initiated to fulfil the accepted terms and conditions. The Stabilisation and Structural Adjustment Programmes introduced in India and the subsequent Economic Reform initiatives indicate the efforts of Indian Government towards this direction.

Section 2

Economic Reforms in India

India's experience in globalisation could be divided in to two phases. The first phase of economic liberalisation began in 1981, under pressure from the International Monetary Fund and the World Bank. During this phase, India received the SDR 5 billion loan that was conditional on an 'adjustment programme' from the IMF. The second phase of globalisation began in 1991 where the economic measures initiated were based on the World Bank's Structural Adjustment Programme (SAP) designed to restructure

the economy (Dalip S.Swamy:1997). However, India's entry into globalisation is relatively later than most of other third world countries (Neeraj:2001).

The Government of India embarked wide range of reform measures in the beginning of July 1991. Five different governments were in office during this reforms era – The Congress Government which initiated the reforms in 1991, United Front coalition (1996-98) which continued the process, BJP-led coalition which took office in March 1998 and then again BJP led National Democratic Alliance (NDA) during 1999- 2004, and subsequently the Congress-led United Progressive Alliance Government, which came to power 2004 till date. In short, it seems that India's political system is more than ever in consensus about the basic direction of reforms. The experience of successful coalition Governments in India has been ideal for democratic governance, balancing divergent views and accommodating regional and sectoral interest more effectively. The reforms were multidimensional and aimed to make changes on many fronts to break away from the earlier approach which was characterised by extensive government control over private sector activity, a preferred position for the public sector over the private sector, high levels of protection to encourage domestic production and a restrictive approach to foreign investment. The principal areas in which reforms were initiated in India are listed below:

The Reform Agenda

Agricultural Sector Reform: Agriculture is the only sector that obtained less priority in the reform initiatives. However, the reform agenda on agriculture has been focussed on removal of restrictions on domestic trade and processing, and strengthening infrastructure, research and extension and delivery of credit.

Industrial Sector Reform: This reform sought to remove the barriers preventing entry of new firms and the limits to growth in the size of existing firms. The strategies are:

- (i) Abolition of industrial licensing as an instrument of control over private investment.
- (ii) Abolition of the restriction on investment by large industrial groups.
- (iii) Drastic reduction in the list of industries reserved for the public sector.
- (iv) Elimination of price control on several industrial items.
- (v) Reduction of the list of items reserved for production in the small-scale sector.
- (vi) Opening the economy to FDI

Trade Sector Reform: The objective of the trade reform is to encourage free flow of imports and exports to the maximum possible extent. This involves,

- (i) Elimination of quantitative import licensing.
- (ii) Reduction in import tariff levels.
- (iii) Abolition of subsidies on exports
- (iv) Adoption of a flexible exchange rate regime.

Financial Sector reform: The financial sector reforms aimed at profit oriented financial services and the better functioning of the money and capital markets. The three major sub-divisions are:

1. Reforms in the banking sector: The efforts are liberalisation of interest rate controls and controls over bank credit allocation, introduction of prudential norms and improved supervisory standards, liberalisation of entry for private banks and introduction of minority private share holding in public sector banks.

2. Reforms in the capital market: The major elements are elimination of government control over the issue of capital, attract foreign portfolio capital, establishment of an independent regulator for the securities market and opening the mutual funds sector for private mutual funds.

3. Reforms in insurance: Insurance sector is being opened to new private sector insurers but with a capital of 26 per cent in foreign equity.

Fiscal reforms: The fiscal reforms are aimed at reducing the financial burden of the state and improve the stability of the nation. The specific strategies adopted are:

- (i) Reducing the fiscal deficit of both the central and state governments.
- (ii) Tax reforms at the central and state government levels including moderation of rates of tax, simplification and introduction of VAT principles in domestic indirect taxation by the central government and more recently by state governments also.
- (iii) Sale of minority equity in public sector organisations to mobilise resources for the budget.
- (iv) Adoption of a general strategy for public-private partnership in developing infrastructure.
- (v) Efforts to open up the following sectors under varying regulatory structures: power, telecommunications, roads, post, airports and, most recently, railways.

In broad terms, the reforms undertaken in India were similar to those attempted in other developing countries integrating more with the world economy. Due to the reform measures, the Indian economy has been undergoing significant changes in all the sectors in recent years. The impact of globalisation on the Indian economy are wide and could be seen from several angles such as internal and external trade, production, consumption and distribution, overall and sector wise performance, social, economical, political and cultural impacts, and macro and micro level impacts. Nagire Woods (2000) rightly pointed out that the impact of globalisation is the source of endless debate. While certain impacts are quantifiable, the others are just qualitative. Similarly, the impact of globalisation are already getting realised in certain areas while on the rest, one could just visualise its impacts. We shall examine the trends in the employment scenario in India in the context of globalization.

Section 3

Trends in Employment Scenario in India

According to the official estimates, the population showed a mild decline in the growth rate during 1994-2000, compared to its early period. Accordingly, the growth rates in the labour force and work force have also recorded a marginal decline. Where as, the unemployment rate has shown an increase during the reference period. It has decreased from 8.3 per cent to 5.99 per cent between 1983 and 1993-94 and subsequently increased to 7.32 per cent by 1999-2000.

While the total employment in absolute terms showed an increase over time, the growth rates have shown a declining trend. In the sectors such as agriculture, mining & quarrying, electricity, gas & water, and services, the growth rates in the employment have recorded negative trends and in the manufacturing sector a decline in the growth rates and in sectors such as construction, trade, hotel & restaurant, and transport, storage & communication an increase. This indicate the relative contribution of various sub-sectors of the economy in providing employment opportunities.

If we examine the structure of employment, Indian economy is characterised by the existence of high level of informal or unorganised labour employment. The workers in the organised sector constitute less than 20 per cent of the country's total work force and the rest, comprises of subsistence farmers,

agricultural workers, fisherfolk, dairy workers and those working in traditional manufacturing like handlooms are grouped under unorganised sector. In fact, the term 'unorganised labour' has been defined as those workers who have not been able to organize themselves to pursuit of their common interests due to certain constraints like casual nature of employment, ignorance and illiteracy, small and scattered size of establishments, etc.,. As per the 2001 census, the total work force in our country is 402 million, of which 313 million are main workers and 89 million are marginal workers. Out of the 313 million main workers, about 285 million is in the unorganised sector, accounting 91 per cent (Government of India, Economic Survey:2005-06). The extent of workforce in the organised and unorganised sectors, and their changes over time could be understood by the information provided by the Alternative Survey Group and the Economic Surveys. Accordingly, the share of organised workforce was about 8.33.per cent by 1983, which declined to 7.65 per cent by 1999-2000. The corresponding share of unorganised workforce was about 91.67 per cent by 1983, which increased to 92.65 per cent by 1999-2000.

Ministry of Labour has categorised the unorganised labour force under four groups in terms of occupation, nature of employment, specially distressed categories and service categories. In terms of occupation, it included small and marginal farmers, landless agricultural labourers, share croppers, fishermen and those engaged in animal husbandry, beedi rolling, labeling and packing, building and construction workers, leather workers, weavers, artisans, salt workers, workers in brick kilns and stone quarries, workers in saw mills, oil mills etc.,. In terms of nature of employment, they are attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers. Toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders, belong to the specially distressed category while midwives, domestic workers, fishermen and women, barbers, vegetable and fruit vendors, newspaper vendors etc. come under the service category. In addition to the above categories, there exists a large section of unorganised labour force such as cobblers, hamals, handicraft artisans, handloom weavers, lady tailors, physically handicapped self-employed persons, rikshaw pullers/ auto drivers, sericulture workers, carpenters, leather and tannery workers, powerloom workers and urban poor. The extent of unorganised workers is significantly high among agricultural workers, building and other construction workers, and among home based workers. But, the availability of statistical information on its intensity and accuracy vary significantly. In general, unorganised workers are observed to be large in numbers, suffering from cycles of excessive seasonality of employment, scattered and fragmented work place, poor in working conditions, and lack of attention from the trade unions.

Impact of Reforms on Employment and Working Population in India

The impact of globalisation on employment in general is said to be divergent. In fact, unemployment and disguised unemployment are the normal feature of Indian economy. There is heavy dependency on unorganised sector by the labourforce for their employment, income and livelihood. In such a situation, the policies towards delinking budgetary support to the public sector enterprises and reducing labour absorption in public sector as part of the globalization strategy leads to adverse effect on employment situation in India. The growth of employment from the Seventies is given in Table 1.

Table 1
Growth of Employment in India

Period	Growth rate of overall employment	Growth rate of employment in the organised sector (%)		
		Public	Private	Total
72-73 to 77-78	2.75	----	----	2.45
77-78 to 1983	2.36	2.99	1.41	2.48
83 to 1987-88	1.77	2.17	0.43	1.38
87-88 to 1993-94	2.37	1.00	1.18	1.05
93-94 to 1999-2000	1.07	(-) 0.03	1.87	0.53

Source: Economic Survey 1998-99 and Planning Commission, 10th Five year Plan, Vol.1.

It can be seen that the growth rate of organised sector employment maintained its declining trend from the period 1977-88 to 1983-84. The growth rate of public sector employment declined sharply and this trend continues up to the present. From 1997, the public sector employment grew negatively (Economic Survey: 2002-2003). When the labour absorption in the organized sector declines during the period of reforms, it would naturally push the additional labour force to the unorganised sector leading to further swelling of unorganised workers. The situation gets worsen if pruning or retrenchment activities by the public sector are taken into consideration. Taking into account the backlog of unemployment and overall magnitude of additional employment to be generated, there lies a major challenge for the country. In the context of declining growth rate in employment generation in organised sector and no scope for creating additional jobs, the additional labour force have to find work on self-employed or remain casual workers. As a large number of labour force is pushed into the unorganised category of workers, the excess labour supply creates disequilibrium or imbalance in the labour market that leads to several adjustments in the unorganised labour economy. The surplus or excess labour supply into the unorganised category leads to partial or casual employment at low wages and with out job or social security of any kind (Rao and Rao:1994). Unni (2001), based on the study conducted in Ahmedabad highlighted the differential benefit between a regular and casual employee. It revealed that the casual labourers are highly exploited in terms of assurance of employment, contract procedures, paid leave, PF / pension, medical and other benefit and notice for termination. Her analysis clearly indicated the disadvantageous position realised by the unorganised workers in terms of their earnings in the recent years. In fact, this trend could be attributed to the negative impact of globalisation on the unorganised workers. In order to understand the changing dimensions of unorganized sector, the data on the growth performance and labour absorption in agricultural and non-agricultural enterprises in India from the Economic Censuses 1980, 1990 and 1998 are analysed in Table 2.

Table - 2
Growth Performance and Labour Absorption of Enterprises in India (1980-1998)

Particulars	Type of enterprise	year			Annual growth rate(%)	
		1980	1990	1998	1980-1990	1990-1998
Enterprises (in million)	Agricultural	1.45	2.32	3.45	6.00	6.09
	Non-agricultural	16.72	22.19	26.09	3.27	2.20

	Total enterprises	18.17	24.51	29.54	3.49	2.57
Employment (in million)	Agricultural	2.87	4.71	6.81	6.41	5.57
	Non-agricultural	50.31	65.68	73.83	3.05	1.55
	Total enterprises	53.18	70.39	80.64	3.24	1.82
Employment per enterprise	Agricultural	1.98	2.03	1.97		
	Non-agricultural	3.01	2.96	2.83		
	Total enterprises	2.93	2.87	2.73		

Note: Excluded Assam and J & K, as economic census was not conducted in 1980 and 1990 respectively.

Source: Economic Census 1980, 1990 and 1998.

In terms of absolute numbers, there has been a steady increase in the total number of both Agricultural and Non-Agricultural Enterprises and the total employment. It could be seen that the increase in employment is much lower than that of the number of enterprises, indicating the low labour absorption capacity in both Agricultural and Non-Agricultural Enterprises. In terms of growth rates, a differential pattern of change could be observed between the eighties and the nineties. While the number of enterprises has recorded an annual growth rate of 3.49 per cent during the eighties, it declined to 2.57 percent during the nineties. The similar decline in the growth rate of employment from 3.24 per cent to 1.82 per cent during the respective periods is also observed. Above all, the number of workers per enterprise has shown a steady decline from 1980 to 1998, which revealed the falling trend in the labour absorption of both the enterprises. Another significant impact of globalisation on the unorganised workers is the jobless growth promoted by the new technological changes and structural shifts in the global economy in favour of the so-called new economy. Though a country like India needs a labour intensive technology at least in the unorganised sector to accommodate the job-seeking labour force, the process of globalisation and liberalisation sets on a shift towards capital-intensive technology. Needless to say that in order to meet competition and to increase productive efficiency, firms are forced to modernise their operations involving machineries, capital and high technologies. The choice of labour intensive technology becomes obsolete. The immediate and direct consequence of the shift in the industrial technology is the replacement of unskilled personnel with skilled people (Rao and Rao:1994, Wood:1997). Taking into account the basic qualifications and nature of an Indian unorganised worker, it is difficult to visualise the effort and time needed to shift an unskilled person into a skilled worker. In this context, the efforts of downsizing of labour, strict controls on organised workers, removal of social security measures, privatisation, de unionisation, removal of bargaining strength of labourers, reduction of expenditure on public goods, low absorption of labour in the nonagricultural enterprises worsen the employment scenario our economy.

Conclusion

The foregoing analysis revealed that the impact of globalisation on employment in India is more of warning signals. The unorganised workers would expand further due to globalisation. Under the present deprived conditions of unorganised sector, this would lead to imbalance in the labour market leading to more supply of labours, low wages and low level of income. This situation would affect the social and economic conditions of the unorganised working population. The unorganised workers will be in the highly

disadvantageous position as there would be a shift in the technology from labour to capital intensive and use of unskilled to skilled workers. To conclude, it can be argued that the benefits of economic reforms on the Indian economy would get achieved, only if the negative impacts on employment are settled or neutralised. Hence, along with globalisation and restructuring the economy, efforts should be initiated to absorb the potential labour force and provide required security for work, income and life so that they would also benefit in that process on the one hand, and on the other, contribute towards the success of globalisation.

References:

- Alternative Survey Group (1998): *Alternative Economic Survey: 1991-1998*, Rainbow Publishers Limited, Delhi
- (2000): *Alternative Economic Survey: 1998-2000*, Rainbow Publishers Limited, Delhi.
- Das, Keshab (1998): “*The Unorganised Sector*” in Alternative Survey Group (1998): *Alternative Economic Survey: 1991-1998*, Rainbow Publishers Limited, Delhi
- Government of India, *Economic Census, various years.*
- Government of India, *Economic Survey, various years.*
- Government of India, Planning Commission, Tenth Five Year Plan, 2002-2007, Vol.1.
- Government of India, Ministry of Labour, *Annual Report 2000-2001.*
- Gupta S.P (2006): *Globalisation, Economic Reforms and Employment Strategy in India*, Academic Foundation, New Delhi.
- James Petras and Henry Veltmeyer (2001): *Globalisation Unmasked*, Madhyam books, Delhi.
- Kapila, Uma (2006): *Understanding the Problems of Indian Economy*, Academic Foundations, New Delhi.
- Mathew E.T (2006): *Employment and Unemployment in India: Emerging Tendencies during the Post-Reform Period*, Sage Publications New Delhi.
- Rao K.V and Rao M.K (1994): “*Restructuring Indian Economy and Its Impact on Labour* “ in Rao M.K Growth of Urban Informal Sector and Economic Development, Volume 1, (Edited) Kanishka Publishers Distributors, Delhi.
- Unni, Jeemol (2001): *Gender and Informality in Labour Market in South Asia*, Economic and Political Weekly, Vol.36 (26).