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## IMPACT OF ECONOMIC GLOBALIZATION ON EMPLOYMENT IN INDIA – RECENT TRENDS

**Dr. Hena Siddiqui**

Head

Department of Education, Isabella Thoburn College

Lucknow, Uttar Pradesh, India

### 1.0 Introduction

Globalization has become a widely discussed topic, that has important implications in every area of life. Some consider it as paving way towards a world of new opportunities with no barriers while others do not consider it as a progression. Globalization can also be explained differently like, the strengthening of world-wide social relations which connect distant localities in such a way that local events are shaped by actions happening several miles away (Giddens, 1990:64) as time-space firmness (Harvey, 1989:147); as the disappearing restraints of geography on social and cultural measures (Waters, 1995) and as the compactness of the world and the escalation of the realization of the world as one whole (Robertson, 1992:8).

Economic globalization is reflected in the rapid pace and widening scope of economic activities taking place across national boundaries. This has consequently led to an increased integration of financial and capital markets among different countries, irrespective of their levels of development. These have had triumphant consequences upon economic, social and political systems, both within and amongst countries (Ayres, 1998).

To understand globalization, it is a multifaceted and challenged idea. If we take increasing international interconnection i.e., increasing flows of trade, venture and communications among nations and to be what maximum individuals mean by the term, then 'globalization' has been in for the past 50 years (Hirst and Thompson, 2002:248).

It is also argued that economic globalization improves human development through both the development of production technology and employment generation. Empirical evidences have confirmed that globalization has the potential to advance human development by reducing poverty through its capacity to generate employment. However, at the same time, empirical evidence also indicates that globalization has increased vulnerability and insecurity. Some critics argue that globalization leads to increased inequality, which at times may even aggravate absolute poverty among some groups in certain regions (Rodriguez and Rodrik, 2001; and Stiglitz, 2002).

### 2.0 Economic Globalisation and Impact on Employment

#### 2.1 Number of jobs

The first impact of Economic globalisation is on the number of jobs available in the economy. Subsequently, affect the crucial macro-economic variables like the unemployment rate and the employment-to-population ratio. The matter is further made more complex by the fact that the bearing can be diverse at micro-economic level (e.g., establishment, enterprise, economic activity) and at the macro-economic level such as total economy, as well as in either short or long term.

#### 2.2 Structure of jobs

Economic globalisation may also affect the structure of jobs, that is, their distribution across economic activities. Occupations related to certain economic doings may have a tendency to vanish, however, jobs allied to the other, maybe some new activities, are formed due to altering competitive advantages and patterns of specialisation. The matter is further made more complicated by the fact that variations in the structure of jobs can be triggered by economic globalisation but also by certain other reasons for example, technological progress.

#### 2.3 Composition of jobs

The structure of jobs, like the combination of skilled and unskilled jobs in the economy, is also expected to be marked by commercial globalisation. So far, in most of the developed nations, low-skilled workforces have been most affected by deteriorating incomes and / or swelling joblessness owing to rivalry from the employees of developing countries' and also as a consequence of technological growth. The employees in developing nations, nevertheless, is becoming more qualified and progressively engaging in added urbane, service-oriented doings. Trained workforces in developed states are getting a sense of rivalry of their counterparts in developing countries.

#### 2.4 Research &Development Jobs

Professions in the field of Research & Development are frequently observed as of strategic importance for national economies as of their association with novelty. In developed nations, the consequences of economic globalisation results in reverse inclinations. There are enterprises moving their Research &Development activities abroad in order to bring them closer to important markets or to



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benefit from qualifications more readily available in some foreign locations. Though, there are similarly some enterprises moving their production events overseas to permit them to concentrate on Research & Development activities at home.

### 2.5 Job earnings

The economic globalisation might mark job incomes in dual ways –

- Firstly, by growing the overall competence of the economy, that is its yield. It roots an upsurge in actual earnings that may be shared with work incomes.
- Secondly, by nurturing arrangements of products and production issues. It may ultimately level out price variances between countries, together with the price of labour i.e., job wages.

Together both trends appear to materialise at the global level. According to current ILO study the segment of employed poor in overall employment setup is on the decrease. Work earnings seem to be increasingly mounting in developing countries, leading to a narrowing of the job earning gap at the global level. However, at the same time, the job earning gap between the best and the least qualified workers seems to be widening within developed countries. It seems like pay disparities are gradually shifting places.

### 2.6 Migrations

Growing number of persons are now moving between different countries and continents. For the OECD (Organisation for Economic Co-operation and Development) countries it is estimated that about 30 per cent of migration is linked to labour. Labour exodus is unswervingly raised by regional contracts liberalising the drive of persons as in the EU, by altering forms of specialisation, and by the progress of global initiatives moving key personnel to, from and between their foreign associates. The development of transport and communication facilities serves as a major catalyst. Migration leads to substantial influxes and outflows of workers whose bearing on labour market is still not clear. In developed countries migrants may ease labour shortages and be part of the solution to population ageing but in developing countries, however, migration to more developed countries may result in ‘brain drain’.

### 2.7 Employment conditions

Employment settings are share of the rivalry between economic positions in addition to other obvious aspects such as labour charges. Lesser safety wants, extended working periods, or a restriction on trade unions, for example, may be striking for global enterprises and may spur offshoring. This may in turn have an effect on employment conditions in the source countries of offshoring as regards working hours. Varying forms of specialisation brought by economic globalisation or technological advancement, such as supplementary service focused economy, may also have effects on service conditions that are not always clear.

### 3.0 Characteristics of Indian Economy

An important characteristic of the Indian economy is its vast informal or unorganized sector which is widely spread over various services and agriculture sectors. Such informal scenario has helped maintain resilience in the growth process and provides flexible employment and self-employment to a large segment of Indian workforce. It has further helped in maintaining order in the macroeconomic environment through quick and silent adjustments by the economic agents in case of external shocks. One more significant characteristic of Indian economy is the rate of poverty. As per the ASARC WP 2009/18 5 Indian Planning Commission study, about 26 per cent of the population in India lives below the national poverty line of Indian Rupees per capita monthly expenditure of 400. A large percentage of the total Indian population lives in rural areas and most of this population works in the informal sector. Under globalization, this fabric is under challenge of re-alignment. The major challenge is for the policy makers to readjust the economic environment of the country in a way that would lead to better and effective targeting of the chronic issue of poverty reduction and improvement in the social welfare of people. Globalization in a democratic country such as India, is a paradigm shift and it just cannot be stopped even if it proves to be disadvantageous for majority of general public. However, with better knowledge, government can take calibrated interventions that will lead to discipline in the functioning of market, avoiding exploitation and unfair competition.

### 4.0 Impact of Globalization and Employment In India

Globalization has played a vital part in the creation of service prospects in India. A watchful study of the effect of globalization on employment in India points us to certain vital factors. The economic liberalization strategies of the 1990s entirely redefined the employment situation of India. Fiscal liberalization comprises both macroeconomic balance and micro-structural variation. Structural adjustment includes de-regulation in the labour market and measures to increase labour market flexibility.

#### 4.1 Improved GDP

Open market guidelines lead to considerable upgrading in the Gross Domestic Product (GDP) of the country. The opening - up of Indian market to Foreign Direct Investments (FDI) and Foreign Institutional Investors (FII) took India’s GDP growth rate to an all-time high during the 1990s. This period was followed by a 4.5% to 5% increase in the Indian GDP output. The tremendous growth in



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Indian Information Technology, Indian Service Industry and the Indian BPO Sector, as a result took India's GDP growth rate to about 6% by 2003. Subsequently, after 2004, the GDP growth rate reached 8.5%. In the third quarter of 2010, the GDP growth rate touched 8.9%. Since the year 2004 and until 2010, India's average quarterly GDP Growth was 8.40 per cent attaining an historical high of 10.10 per cent in September of 2006. There was also a significant increase in the exports.

#### 4.2 Growth in Export

In December 2010, Indian exports were worth 22500 million USD. Exports contributed to 22% of India's GDP. India is a principal exporter of gems, jewellery, textile goods, engineering goods, chemicals, leather manufactures and services. India's chief export associates are European Union, United States, United Arab Emirates and China. This augmentation in demand for Indian goods gave rise to the requirement for increased supply which consequently required more production. This finally resulted in increased employment.

#### 4.3 Growth of Consumer Market

Globalization has also determined the improvement of customer markets. According to McKinsey Global Institute (MGI) study namely 'Bird of Gold': The Rise of India's Consumer Market, the entire consumption in India is likely to quadruplicate thus making India the fifth largest consumer market by 2025. Urban India will amount to nearly 68 per cent of consumption growth whereas rural consumption will raise by 32 per cent by 2025.

#### 4.4 Expansion of industrial segments

There has been an extensive growth of numerous industrial sections catering to diverse requirements of clients. The arrival of a widespread series of industrial segments resulted in the economic growth of India on one hand and also high demand for quality workforce on the other. This has led to increased employment prospects for the Indian youth in many industries and also the start of technical and management training that would prepare applicants to be competent enough to take up numerous roles in the corporate world. The progress in employment openings is not only seen in the organized areas but also observed in the unorganized and associated sectors as well.

#### 4.5 Market liberalization policies

The wake of globalization was felt in India by the last decade of 20<sup>th</sup> century when the Indian government initiated the open market policies. India began its globalization policies seriously over its economic modifications and restructuring that started in July 1991. Some of the major globalizing strategies, among others, included almost complete liberalization of private investment encouraging foreign direct investment, and promoting trade openness by eliminating quotas, import restrictions, and reducing tariffs. This led to a significant improvement in the gross domestic product of the country and the exports also increased considerably. Significant rise in the customer base was observed and it slowly gave rise to the consumer market, where market changes were dependant on the demand supply chains. The growth in demand brought favourable changes and thereby supply too started increasing. As a fact, supply is directly involved with employment. More supply meant more production which led to more employment over the years.

#### 4.6 Growth in the market sectors

Due to globalization and growth of consumer market, several new segments of the industry have grown over the years. This has led to a significant rise in the rate of demand and supply. In the past two decades, numbers of industry segments like, information technology, agro products, personal and beauty care, health care and other sectors have stormed the market. The introduction of wide range of sectors have led to a favourable growth of the economy of the country. The increase in industry segments, has eventually led to a high demand for quality workforce. Lots of young people are getting opportunities to work in all these segments in order to start a good career. There has been an increase in various unorganized sectors as well, which has improved the rate of employment in the country. Recent surveys show that there has been a significant increase in the number of people working in the unorganized and allied sectors. Even the pay package in all these unorganized sectors have also increased to a great extent.

#### 4.7 Improved standard of living

The impact of globalization has been immense. It has put a favourable impact in the economy of the country. As a result, the standard of living of the people has considerably improved. This favourable economic growth has led to the development of infrastructure, health care facilities and services, per capita income and other factors which has consequently led to the high growth rate. It has been expected that the economy in India will reasonably grow by around 6-7% annually. This growth rate is expected to improve the overall employment situation more and thereby per capita income will also increase significantly.

#### 5.0 Debate on the Impact of Globalization

The advocates of globalisation can be broadly grouped as pro-globalisation and anti-globalisation supporters. The pro-globalisation promoters comprise of 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 the nations, organizations



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and entities getting benefits owing to globalisation. The advocates of anti-globalisation include anti-free trade NGOs, Environmentalists, Cultural Nationalists, Business Groups threatened by international competition and left critics of capitalism.

The players of globalisation contend that globalisation as the engine of growth, technical progression, access to international resources and their optimum usage, raising output, expanding employment, growing choice on merchandises, dropping of prices, refining standard of living, and bring about reduction in poverty along with modernisation. Although, critics claim that causation is added and severe, broadens the breach within and amongst countries, exploitation and abuse of resources, deterioration of environment and damage of national sovereignty.

There are some sectors where the outcome of organizational modification due to India's globalizing approaches is fairly apparent. Those who are adversely affected can be easily identified. One such major sector is the entry of Big Business Houses in retail trade and marketing, which is one of the huge sectors and the fastest growing sectors thus far. The creation of air-conditioned Retail Shops and shopping malls, where consumers can buy anything from grocery, toiletry, and durable items to perishable items like fruits and vegetables under one roof is very prevalent now. The corporate retailing has the potential to affect the pricing behaviour through large scale activities in the wholesale market. They directly procure from the manufacturers and cultivators thus eliminating the middlemen. With better shopping environment, the modern retail outlets are successfully attracting shoppers away from the traditional merchandisers. As a result, the small and petty shop owners, fruit and vegetable vendors in the vicinity are reported to suffer from a major fall in their income. Those who are incapable in facing the competition are required to pull out from the vocation. This is a major setback faced in India as a result of globalization.

## CONCLUSION

Better social protection systems make workers more mobile and can hence augment adjustment. Furthermore, increased expenditure on social security in times of an economic slowdown allows for a stable level of final demand, needed to stimulate growth. Moreover, if social security systems complement the labour market policies especially in contributing to skill enhancement and re-entry in the labour market of various categories of workers, productivity and production can increase.

Henceforth, one can make a solid claim to embrace active social defence system. Those who are unable to adopt will have to observe redistributive procedures as an essential part of a set of strategies to improve the employment influence of globalization. The precise rudiments of such an arrangement need of course to be driven in a national milieu, as part of a comprehensible set of guidelines.

It is the challenge of every nation to take efforts towards maximising the benefits of globalisation and minimising the evils of globalisation. To realize the goals of globalisation, nations are enforced to position 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 presented in India and the subsequent Economic Reform enterprises point to the efforts of Indian Government in this direction.

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