



# Globalisation And Labour Force In India: An Overview.

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## Abstract

Globalisation makes human life closer than in past years, irrespective of geographic barriers. It imposes changes on labourers and trade unions. The supporters of globalisation argued that through higher competition among economies, the best results can be realized. With the emergence of globalisation, trade unions need to perform very crucial and multiple functions. Recent developments have imposed serious challenges on trade unions across the world. The economic policy changes were inaugurated by the government of India during the Prime Ministership of P. V. Narasimha Rao in 1991. Structural changes and economic reforms made positive and negative impacts on labour market. This period witnessed the shrinking of the organised sector and the growth of employment in the informal sector. Regular permanent employees replaced contract workers. All these negatively affected the strength of trade unions. In this situation, trade unions should identify new strategies to cope with the developments which occurred in the economy.

**Key Words: Globalisation, Economic Reforms, Trade Union, Structural Adjustment.**

## Introduction

Globalisation brings integration of knowledge, capital, trade, culture, economy including labourers, irrespective of the boundaries of the world. The cross-border integration can bring dimensional changes in cultural, social, political and economic relations of the world. The geographical distances become a less important factor in the course of flow of trade, capital and finance.

Globalisations as a multi-faceted phenomenon is not something entirely new. However, the term 'globalisation' began to be in wide currency only from 1980s. It has profound effects on employment, industry and policies of governments worldwide. Industrial restructuring and readjustment are the side effects of these developments (Elijah 2007: 1)<sup>i</sup>. As a consequence, there is increasing interdependence of countries through cross-border trade of commodities and services and capital flows throughout the world.

Globalisation contributed to the denationalisation of markets through its integrating formula. Four factors work for this purpose- increasing trade between nations and business groups, fast rate of movement of capital, movement of people as workers to highly industrialised states and fast spread of technology.

Trade without restriction, overseas transfer of factors of production, emergence of Trans-National Corporations, large quantities of capital moving from one place to another - all these are the key features of globalisation (Ilmakunnas 2000: 6)<sup>ii</sup>. Globalisation has many marked features that impose changes on labourers and trade unionism. Bulk growth of trade flows to different continents of the world; Information and Communication Technology which brings changes in an alarming speed and offers wide employment opportunities and helps to uplift business in its highest speed, tariff liberalisation brought by governments allows free flow of goods and services and also creates regional trade blocks, and finally brings the structural changes in the domestic economy of the nations. These are instrumental in making fundamental changes in the economy of the world and character and nature of labour relations (Bhorat and Lundall 2004: 2).<sup>iii</sup>

The decentralisation of production to different parts of the world is based on many reasons. They vary from one country to another, one economy to another. The tactics in connection with tax savings practiced by nations and Multi-National Companies, the cheap availability of labourers in other nations, effective utilisation of the strategic geographic area for production and distribution, efficiency of various markets, benefits of the competition, division of labour, increasing specialisation are such reasons.

The critiques raised many arguments for and against the merits of globalisation. The opposing camp argued that inequality within and between nations is the immediate result of globalisation. It also negatively affects employment opportunities and causes retardation in social progress achieved so far. The other group projected the merits of globalisation. Through higher competition among economies, the best results can be realised. The creation of a large number of employment opportunities is also helpful for poverty eradication in many parts of the world, and it offers support to the home economies and global economy.

The Government has made certain structural adjustments to protect the rights and interests of the labourers. But in the period of economic liberalisation, the workers have weaker bargaining power than their employers. High competition in the labour market requires certain flexibility in the rules applicable to the labourers in the labour market. The employers exert pressure on the governments to make flexibility in the labour market regulation. Employees demand a stable and decent working environment, and employers make adjustments to cope with the global competition (Meyer and Paul 2013: 1)<sup>iv</sup>.

Globalisation's effect on labourers and trade unions is a major area of labour studies. Labourers of the world get in touch with globalisation adopting different perspective. The character and role of trade unionism and labourers have also undergone changes. Trade unions had performed several roles in the past years as representative of the working class. But at present or after the emergence of globalisation, it needs to perform very crucial and multiple functions. Recent developments have imposed serious challenges on trade unions across the world. The rationale of trade unions is faced with threats of survival in the new economic environment (Mamkoottam 2003)<sup>v</sup>. Many factors like globalisation, developments in the field of technology, emergence of global market, perception of people and government on trade unions- all these contributed to the dimensional changes of trade unions.

Traditionally trade unions performed certain stipulated functions in relation with employee and employer. Promotion of the welfare of the employees and nation, maintenance of justice, sustainable growth, creation and protection of employment opportunities, etc., were the conventional areas of interest of trade unions. It helped the employee to ensure his identity at workplace and society. Trade unions achieved this kind of a role through the performance of activities like collective bargaining, negotiation with employers and government, social dialogue in society and the like. It promoted solidarity among workers.

In short, originally the objective of trade unions is to secure better living and working conditions for workers. In order to achieve this broad objective, trade unions are always focused on the rights of the employees. These rights consist of fair wages, better working conditions and benefits related with work and retirement. Besides protecting these rights, it is also necessary to protect them (Bhowmik 2012).<sup>vi</sup> The trade unions should ensure the maintenance and prevention of erosion of these rights because of the pressure of other forces. In this regard, it is trying to reduce the burden of exploitation from all sources.

### **Impact of Globalisation on Labourers and Trade Unions.**

The influence of globalisation on labour relations is really significant. In a period of marketisation, labour is disempowered on several dimensions like numerical decline of the organised work force, weakening of trade unions and frequent politically rightward turn of social democratic parties which shift to neo-liberal and market-oriented policies (Chowdhary 2008)<sup>vii</sup>. The rights and privileges enjoyed by workers throughout the world are the result of strikes of generations of labourers, their unions and the effort of International Labour Organisations and Associations. But emergence of globalisation makes many challenges and restrictions on these rights and privileges. In India also the trade union movement has undergone drastic changes with the impact of globalisation.

Since independence the governments in India, had shown favourable attitude towards trade unions. The state machinery always tried to reduce areas of conflict between employees and employers through dialogue, compulsory adjudications and appointing of state and national level tribunals. Through this kind of approach from the part of government, the trade unions developed confidence and acquired power to protect and promote the interest of labourers to some extent. This period was marked by social cohesion between the state and the trade unions to improve the miserable conditions of the working class. In the opinion of Ruddar Datt (2008) <sup>viii</sup>the state was in favour of the working class to a great extent.

**Table: 3.1 Male- Male-Female Workforce in India**

Year	Male	Female	Total
2011	27.43	12.39	39.82
2001	26.78	12.35	39.13
1991	26.52	10.61	37.13
1981	26.43	9.27	35.7

Source: Census Data 2011

According to the latest World Bank Data report, the Labour Force Participation Rate is 31.2 per cent for females and 76.8 per cent for males in India.<sup>ix</sup> Recently, a greater number of male and female workers have entered into the labour market.

The role of trade unions underwent a severe crisis after the 1980s, as the character of employment had undergone drastic changes after the 1980s. The temporary nature of employment instead of permanency, growth of casual and contract labour and so forth got wide importance. It has reduced the collective bargaining capacity of trade unions to some extent. These developments also occurred in India.

### **Economic Reforms in India.**

The economic reforms in India were started by Prime Minister Rajiv Gandhi and later strengthened during the period of Prime Minister P.V. Narasimha Rao in 1991. The New Industrial policy was announced by the government in the same year. The Rao government adopted Liberalisation, Privatisation and Globalisation policies popularly known as the LPG model of development. It resulted in internationalisation of the economy. The new policy reforms made structural changes. It caused changes in labour relations and exerted some kind of pressure on labour from foreign influences. The new labour reforms became more favourable to employers than employees. It brought privatisation, modernisation, upgradation of technology, demands for frequent training and skill upgradation etc. To excel in the global market, the firms introduced technological changes that gave employers wide opportunities to gain control over the work place and workers. The nation entered into the phase of least intervention of government in the market and it accelerated development. These programmes faced strong protests from the part of organised labour forces. Certain key public sector areas like civil aviation, power, automobile, infrastructure etc., opened for foreign and private investors. Schemes like Voluntary Retirement Service (VRS) programmes began to be introduced in various sectors (Selvakumar 2007)<sup>x</sup>.

Structural changes and economic reforms made positive and negative impact on labour market. The governments introduced new strategies which strengthened the capitalist class in society who were considered as the key actors of development. It gave new strength to the capitalist class. They demanded for labour reforms which included issues like 'hire and fire' of workers, and freedom to determine wages according to the existing conditions of demand and supply. The state gradually reduced its intervention capacity in the area of labour. The capitalist adopted new technologies for reducing the size of the labour like decentralisation of production units, introduction of subcontracting and outsourcing. All these resulted in the fall of employment growth rate in the organised sector and the growth of employment in informal sector. Regular permanent employees replaced contract workers. All these negatively affected the strength of trade unions.

In India labour, globalisation and trade unions present a complex situation. Organised labour constitutes a small per cent of India's working class. Almost all labour laws are aimed at protecting the interests - which guarantee rights, job security, regular pay revision, retirement and other benefits - of the organised class. The organised sector has high level of job security, coverage of trade unions, and collective

bargaining up to 1970s. Nevertheless, from 1980 onwards there occurred serious erosion of such employment security (Hensman 2001: 10<sup>xi</sup>).

The majority of workers in India belongs to the unorganised sector. They are deprived of any sort of employment protection. Most of the unorganised sector workers, those who are in the low ebb of occupational hierarchy, belong to the Scheduled Castes and Tribes (SC and ST) category. They are the most socially oppressed and exploited class of population. The weak and poor condition of this category of informal workers prompts the employers to exploit them and to make use of them for engaging in extreme hazardous works.

Under globalisation of production, the informal sector achieved tremendous growth worldwide. It provides wide job opportunities to women labourers. In India, about 93 per cent of the labour force works beyond the regulatory and protective reach of the state in the informal economy, and that contributes around 60 per cent of the Gross Domestic Product of the nation (Kuzhiparambil 2016)<sup>xii</sup>. Informal sector workers are majority in unorganised sector and they face a large number of problems. The major problems of such workers are underpayment, lack of job security, no fixed working hours, lack of adequate social security facilities etc.

The available labour laws and statutory protections are not applicable to workers of unorganised sector. In India, Industrial Employment Act (Standing Orders), 1946; the Employees Provident Fund and Miscellaneous Provisions Act, 1952; Workmen's Compensation Act, 1923; Equal remuneration Act, 1976; Minimum Wages Act, 1948; Industrial Disputes Act, 1947; Maternity Benefit Act, 1961 etc., regulate the terms and conditions of work and benefits, but they do not secure the employment conditions and rights of the workers of unorganised sector. The minimum Wages Act, provides fixation, review and enforcement of minimum wages for both the central and state governments in respect of scheduled employment (Ahn2007: 28)<sup>xiii</sup>.

Since the preliminary stage of reforms in 1990s, there had been pressure from the part of investors to liberalise the strict labour laws favourable to them. The influx of overseas entrepreneurs has widened the need for maximum relaxation in existing labour laws to make their investment situation more benefitted to them. Before the emergence of liberalisation, all development programmes were supported and sponsored by the government. It gave due respect to the interest of affected parties. But after the paradigm shift, the interest of the market got predominance over the interest of the workers. The protection enjoyed by the domestic market underwent changes which affected them negatively. However, the present condition is more challenging and competitive and, in the process, domestic industries are losing support and assistance.

Large number of women workers is in informal sector. They are subjected to certain gender specific constraints like low education, especially technical in nature, patriarchal structure of family, domestic chores etc. Impact of globalisation on women labour is not better. A small class of women who are especially from affluent educated class gained a lot including advanced education, better job and opportunities for development. Many of them got placement in IT sector, food processing sector and pharmaceutical companies. On the other hand, the condition of semi/unskilled women turned out to be really pathetic. They



are displaced from their natural resources like land, water, forest etc., as well as their traditional employment sectors. It resulted in loss of conditions of sustainability and livelihood.

J.S. Sodhi (2013)<sup>xiv</sup> argues that the globalisation process since 1991 has adversely affected labour sector. He points out that there was a jobless growth for years. The additional employment only created in informal nature, even in the organised sector. On the other hand, the employers tried to establish a lean and mean organisation that means it led to the reductions of number of existing workers, replacement of them with casual or contract workers. The Voluntary Retirement Scheme has been introduced to reduce the existing strength of work force very easily. Casual employees have largely been appointed in non-core areas. Outsourcing to other firms or the scheme of direct recruitment other than the established practices also introduced. These kinds of development adversely affected the conditions of job security and welfare aspects.

Globalisation pressurises the government to make conditions more favourable to employers and investors than workers. Government's intention is to attract more foreign investments in various fields. It resulted in curtailment of the rights guaranteed by the existing laws. Low wages and limited workers' rights could be necessary to attract foreign investment and increase export market shares, and that would be the disadvantage of workers as a group. The skills needed to adjust to the new technologies and organisational structures are left behind (Rama 2003)<sup>xv</sup>.

Unemployment, job losses, decline in wages, increasing cost of life etc., are considered as the negative results of changes. Generally, trade unions agitate and conduct strikes against these policies. Trade unions in India led number of strikes and protest against the reform policies.

Increased openness of trade during the liberalised period has reduced the bargaining power of workers and labour unions throughout the world. Reder<sup>xvi</sup> and Freeman (1988)<sup>xvii</sup> had put forwarded certain features which curtail the bargaining capacity of labourers and their unions and they call this process as de-unionisation. Their arguments are:

1. Increased competition in labour markets both inside and outside the nation.
2. Speedy growth of certain category of the labour force in both size and skill and they are not adequately interested in union activities (e.g., women, white collar workers).
3. Lower interest from the part of trade unions to recruit new members.
4. The Government's effort to ensure certain welfare assistance to employees which substitute the role of trade unions (e.g., unemployment allowances and insurance protection from accidents etc.).
5. Management's effort to de-unionise the firm.
6. Unskilled labourers replaced by new technology.

Reder and Freeman are of the view that these reasons are instrumental for declining the strength of trade union activity worldwide (Ajefu 2014)<sup>xviii</sup>.

Globalisation impacts every aspect of human life irrespective of the national frontiers of the states. Labourers of the world have raised significant concerns regarding the nature of globalisation, particularly issues related to exploitation and the violation of existing labour rules. Governments are compelled to offer concessions to investors, often at the expense of workers. In this context, labour organisations need to redefine their roles and emerge as the true leaders of the working class.

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