

IMPACT OF GLOBALIZATION ON INDUSTRY

The positive effects of globalization on industry can only be traced since the New Industrial Policy' 1999.

Positive Effects

Delicensing, removal of government restrictions on industries and liberalization of foreign investments have reduced the time and money spent in formal procedures for obtaining approvals from the government. This has shifted the focus of enterprises to the actual business of production thus lowering project costs.

Exports have increased so also has the volume of trade.

Policies in areas of foreign investments have attracted inflow of foreign capital especially in sectors like electrical equipments , services and telecommunication.

Indian industries and financial institutions have undertaken investments abroad. Several Indian companies have entered into joint ventures with foreign companies. They are becoming internationally competitive.

India is increasing it's export orientation through setting up of SEZs (Special Economic Zones) and they are making their international presence felt through mergers and acquisitions.

Industrial labour has become more efficient and skilled due to increased competition and inflow of foreign knowledge. There is a rise in industrial productivity which is reflected in higher industrial wages. Instances of industrial sickness have gone down.

The goods produced by Indian industries in this competitive scenario, sold at competitive prices give higher levels of satisfaction to the Indian consumers as they are of superior quality.

The small scale sector is growing more robust with preferential loans, microfinance and other forms of credit being made available. Some SSEs have grown into medium scale operations.

Negative Effects:

Certain sectors that were already well established when opened to foreign investment led to exploitation of their resources by dominating MNCs and stifle their own R and D efforts.

Use of foreign technology may not be adaptable to Indian conditions. Sometimes MNCs deliberately use less sophisticated technology in their subsidiaries.

There's excessive competition in the market that puts too much pressure on domestic companies to raise productivity, improve product quality etc.

Rising urban industrial wages are much higher than rural wages, which leads to disparity in incomes.

There's uncontrolled growth of consumerism and the problem of plenty as a consumer has lot of choice. Businesses are solely motivated by private profits. Globalization has in fact raised capital intensity in production and this has affected employment adversely as labour has been replaced by machine.

Globalization has exposed domestic firms to risks such as fluctuations in prices, instability of profits and uncertainties of demand and supply.

9.7 EFFECT OF GLOBALIZATION ON EMPLOYMENT

The effects of globalization on employment can be analysed

based on the NSSO (National Sample Survey organization) data. The employment (Current daily status) growth accelerated between 1999-2000 and 2004-05 as compared to the previous period of 1993-94 to 1999-2000. During 1999-2000 to 2004-05, about 47 million work opportunities were created and as compared to 24 million during the period 1993-94 to 1999-2000. Employment growth accelerated from 9.25 per cent per annum during 1993-94 to 1999-2000 to 2.62 per cent per annum during 1999-2000 to 2004-05. However, a higher labour force growth of 2.84 per cent per annum during 1999-2000 to 2004-05, which exceeded the growth in workforce of 2.62 per cent per annum, resulted in an increase in unemployment rate from 7.3 per cent in 1999-2000 to 8.3 per cent in 2004-05.

In recent years, the quality of employment created has also been a matter of concern as the organized sector employment has been declining. Moreover the share of regular workforce in total employment was low. This decline is attributed primarily to a decline in employment in PSUs. During 1999-2000 to 2004-05, most of the growth of 4.7 per cent per annum in industrial and tertiary employment, was in the unorganized sector. There has been a clear shift in workforce from organized sectors to the casual and informal sectors as liberalization has caused informalization of labour.

At present, the main challenges for the policymakers are to target a rapid growth of employment creation and also improve the quality of employment generated by strengthening the organized sector.

Negative Impact:

- The organized sectors have become profit-driven and there is a lot of emphasis on cost-cutting and have therefore gone in for downsizing policy. Labour in unorganized sector is not protected, so they have no job security, provident fund, medical facilities or paid leave and suffer due to low wages. Globalization has caused a shift of labour from the organized to the unorganized sector.
- Even large firms like Bajaj Auto and Tata Steel have succumbed to pressure and have chosen automation and computerization of processes over securing jobs of their employees. Excess labour has been retrenched by offering VRS (Voluntary Retirement Scheme) and CRS (Compulsory Retirement Scheme). According to a report of National Commission on Labour (2002) indirect compulsion, pressure tactics have been used to compel employees to resign under VRS
- With disinvestment of some public sector units, employment in these sectors has reduced. The most affected sectors are manufacturing, construction, electricity, gas and water supply.

- The level of employment in the small scale sector has remained stagnant and discouraging. FDI inflow in several sectors has wiped out the business of many small and medium size enterprises forcing them into closure.
- MNCs have exported jobs from developed countries to developing countries through foreign investments. Moreover they offer higher pay than what is offered by employers of local enterprises adding to the inequalities in income.
- Through trade liberalization the government has actually encouraged substitution of domestic goods by imports which has reduced the market size for goods manufactured by domestic labour bringing down their wages and putting their jobs in danger.
- Trade unions have become weaker in negotiating better pay and security for workers as only efficient labour is absorbed by the profit-driven enterprises. To save workers from losing jobs, they were compelled to accept cuts in salaries, freezing of dearness allowance and other benefits and eventually reduction in labour force.

Positive Impact:

- The employment in the services sector has increased from 20% in 1991 to over 30% in 2010. The reason behind this is creation of new jobs in the IT and communication sectors. Jobs in Call Centres, BPOs, and medical transcription as well as other service sectors such as banking, insurance, airlines have buoyed employment. Foreign companies from different sectors like banking, and finance have come to India to outsource their work creating jobs in accounting, mortgage collections, marketing etc.
- Other sectors where job opportunities have multiplied are Biotechnology; health care especially with chains of private hospitals being set up; medical research centres; food retailing with shopping malls cropping up at every nook and corner of the cities and towns.
- In the field of education, there is a demand for trained professionals as international schools and colleges are poised to enter India on a wider scale.
- MNCs generate employment for the skilled workforce especially in urban areas. It motivates labour to pick up various skills through training.
- There is an increase in contractual and casual employment due to globalization since employers can't afford to have a large workforce on a regular basis.

Female participation in workforce has actually improved. Especially in the casual, informal sectors affording low wage or flexible employment and export oriented low technology high labour industries such as garments, electronics .etc., there has been an increase in women's employment.

9.8 CONCEPT AND IMPACT OF MIGRATION

Globalization has definitely shown an increased trend of migration especially from the developing to the developed countries of the world. Migration is basically a movement of people from one place .ie origin to another .ie. destination. It can be local, regional; where people move within the borders of a nation or even international which involves crossing the borders. Generally migration occurs in order to access better opportunities in work, education, or to achieve a better standard of living.

With the relaxation of restrictions on trade and capital movements, movement of labour was also liberalized and explains the increase in migration. However in recent years due to increased FDI inflow and job creation by subsidiaries of established MNCs, there has been a check on migration levels from developing countries. These nations are characterized by surplus pauper labour, which if not absorbed in the domestic job markets, are willing to migrate to the developed nations , having labour shortages. Such countries ready to receive immigrant labour are called host nations or receiving nations and countries from which emigrantlabour move out are called sending nations or countries of origin. For .ex.when an Indian student goes to Australia for higher studies or to find a job, he is an immigrant in Australia but for India he is an emigrant.

The causative factors of migration could be economic, social, environmental, or political. Instances of rural to urban migration or international migration are generally out of economic motivations such as to find better job prospects, avail of better civic amenities or raise one's standard of living. Social factors comprise of marriage, moving closer to one's relatives .etc. If a place is prone to environmental hazards or calamities such as earthquakes or floods, it may encourage people to migrate to more safer locales.

Political instability of any kind like rioting, acts of terrorism may create panic and fear for one's life forcing people to move. These days people also travel afar to seek better or cheaper medical treatment.

In recent times, a lot of nations like US and UK have taken a narrow stance by introducing several measures to control in-migration. They have imposed restrictions on holding of visas and citizenship by the immigrants.

Impact of migration on host nations :

- Immigrants may find it difficult to adapt to the environmental and social conditions of the host nation. Very often they experience homesickness as the food, culture, language, mannerisms, weather conditions may all differ. Adapting to so many differences creates stress and other psychological problems such as loneliness and withdrawal.
- Sometimes immigrants face discrimination especially if they belong to a different race. They are perceived with prejudice and not treated as equals by the natives, which makes them feel like outsiders and insecure.
- It has been observed that a large proportion of emigrants from developing countries end up performing menial tasks and lowly jobs, which draws much lower income than the natives in developed countries.
- Women participation in emigrant labour force has also increased especially because women are willing to take up low paid jobs abroad such as maids, domestic workers, cleaning women, nannies etc.
- Migration leads to fusion of cultures. The natives may find these influences threatening to their identity and resist mingling freely with the immigrant population. The immigrants tend to stick together in an expression of solidarity and form ghettos.
- Immigrant labour contributes to the growth of the host nation to which they provide their services. This is because they earn, spend, save and invest in the host nation, which adds to the economic activities there. The fact remains that the host nations get gains out of the immigrant labour without having contributed towards the development of these human resources.
- Increase in the population of host nation puts pressure on the infrastructure and facilities available. It leads to congestion and a rise in various social problems.

Impact of migration on countries of Origin :

- Most of the immigrant labour are persons of specialized knowledge like doctors, engineers, research scholars and lately from the field

of IT. These individuals are educated and well trained, in whom the sending nations have invested but their out-migration, which is labeled 'brain drain' , benefits the host nations.

The countries of origin experience some gains as the remittances of emigrantlabour adds to their gross national product and adding to their foreign exchange reserves.

Remittances send back to families in the sending nation raises the standard of living and improves the lifestyle. It increases the choice of goods that can be purchased but also leads to consumerism.

Continuous inflow of large amounts of remittances creates a sense of dependency in the sending nation. It reduces reliability on domestic resources or goods and makes the country less than self sufficient. In the event of severed ties between the host and sending nation, a fall in trade and migration could affect the economy of the sending nation adversely.

Emigrants abroad tend to form organisations and associations which rush aid to their native lands during calamities and disasters. They may also fund projects and thus increase the pace of investh. for growth.