CHAPTER-4
Concept of Globalisation and Its Impact on Wages

Globalization is a term that is used in many ways, but the principal underlying idea is the progressive integration of economies and societies. It is driven by new technologies, new economic relationship and the national and international policies of a wide range of factors, including governments, international organization, business labour and civil society.

Broadly speaking, the process of globalization has two aspects. The first refers to those factors such as trade investment, technology cross border production systems flows of information and communication which bring societies and citizens closer together.

The second refers to policies and institutions, such as trade and capital market liberalization, international standards for labour, the environment, corporate behaviour and other issues, agreements on intellectual property rights, and other policies pursued at both the
national and international level which support the integration of economies and countries. In terms of the latter aspect, the existing pattern of globalization is not an inevitable trend it is at least in part the product of policy choices.

While technological change is irreversible policies can be changed. Technological advances have also widened the policy choices available.

The social dimension of globalization refers to the impact of globalizations on the life and work of people, on their families, and their societies. Concerns and issues are often raised about the impact of globalization on employment, working conditions, income and social protection. Beyond the world of work, the social dimension encompasses security, culture and identity, inclusion or exclusion and the cohesiveness of families and communities.

Globalization brings new potentials for development and wealth creation. But more are divergent views and perceptions among people as concerns its economic and
social impact, and indeed widely varying impacts on the interests and opportunities of different sectors and economic and social factors. Some argue that the present model of globalization has exacerbated problems of unemployment, inequality and poverty, while others contend that globalization helps to reduce them. Of course, these problems predated globalization but it is clear that for globalization to be politically and economically sustainable, it must contribute to their reduction. Hence the goal of a globalization which meets the needs of all people.

Globalization in economic terms, it the opening up of the market which will operate under market forces, where state will have a very little role of to play. Liberalization is also an off shoot of globalization. But there is a subtle difference between liberalization and marketization, resulting from globalization. Where as liberalization means reducing the burden on the state with least interference from the government,

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1 Journal -Indian Law Institute, 2000 p. 395
marketisation increases the burden of the state for regulating the market. Globalization has been presented in terms of the virtues of entrepreneurship, economic rationality and an efficient legal regime imbued with security, predictability and transparency. The traditional economic concept of "comparative advantage" does not find a place under this dispensation, which has been devised and imposed by the developed counties to find markets for their MNCs\textsuperscript{2}.

The 1990's have seen a born in writing about globalization. According to one sociologist, it is the concept of 1990's a key idea by which we understand the transaction of human society into the third millennium Globalisation is bets understood as expressing fundamental aspects of time space distantiation. Globalisation concerns the intersection of presence and absence, the interlacing of social events and social relations" at a distance with local contextual ties. The relation of post modernity too refers to the fact

\begin{footnote}
\textsuperscript{2}Ibid.
\end{footnote}
that globalisation describes our changing experience of time and space, or time space compression\(^3\).

**The Impact of Globalisation on wages:**

The impact of globalisation can already be seen in many field competitiveness cannot be acquired without harmonious relations in the industry. The requirement today among the employers and employees is to develop among the employers and employers is to develop mindset that looks upon each other as partners and to develop a work culture that new technology and the context of globalisation\(^4\).

An important trend in labour markets in the advanced economics has been a steady shift in demand away from the less skilled toward the more skilled. This is the case however skill are defined, whether in terms of education, experience, or job classification. This trend has produced dramatic rises in wage and income inequality between the more and the less skilled in some counties, as well as unemployment among the less

\(^3\) *Journal* – Aligarh Law Journal, 2001 & 2002 p. 76

skilled in other countries. The aim of the globalisation is to have unfettered flow of finance capital the world over. While the maximisation of profits is in any way an integral part of capitalist dynamics from its inception, globalisation seeks to crush in a frenzied pitch, all the rights of the worker won over decades to take the law of maximization of profits to unprecedented levels. In this process globalisation has brought out some important trends in the production process, seeking legislative changes which are affecting their job opportunities working and living conditions, pushing the worker's lives to the brick. Though every section of society was hit by this imperialist onslaught, the attack on workers is more direct and severs. The first causality in this attack is the declining employment opportunities i.e. their source of living itself. The second serious impact on the working class is their deteriorating working conditions⁵.

⁵ http://www.peoplemarch.com/home.htm
An inflow of technology can raise labor prices by increasing productivity. In general, one would expect wages across countries to equalize as technology and production techniques spread. Increased trade may contribute to innovation and the spread of technology and thus indirectly affect wages. One potential channel through which technology flows from country to country is the transfer of technology by multinational firms from the parent to its affiliates. Higher foreign investment in a particular industry is usually associated with higher wages in that industry.

Increased globalization has been viewed with concern in many advanced economies. There is a common belief that globalization harms the interests of workers, especially unskilled workers, either directly through immigration or indirectly through trade and capital mobility. Particularly with respect to import competition, these beliefs appear to be at odds with the empirical evidence that globalization has only a modest effect on wages, employment, and income inequality in
the advanced economies. (By contrast changes in technology have led to a pervasive shift toward more-skilled workers to the detriment of less-skilled ones.) Moreover, the belief that globalization threatens wages and jobs is contradicted by the historical evidence that free trade and the mobility of labor and capital improve global welfare and tend to improve national welfare for all countries involved.

Still, despite the overall benefits of globalization for national welfare, there are adjustment costs for particular groups within a nation: globalization produces winners and losers. The adjustment of those groups of workers displaced by import competition occurs slowly and with significant costs, such as the need to obtain information about new opportunities, relocation, and the loss of firm- or industry-specific knowledge. Policymakers must keep in mind potential dislocations and ensure that those who are displaced do not become marginalized.
It is important, however, that any policy actions do not impede adjustment but provide incentives for workers and firms to adjust and therefore gain from changes in the economic environment. The adjustment costs can be minimized by encouraging flexible labor markets and by reducing structural rigidities facing firms, such as onerous work rules, staffing requirements, and hiring and firing costs. Other policies might include gathering and spreading information about labor market conditions, standardizing professional certification procedures across countries, and enhancing training and educational opportunities so that workers in the advanced economies can upgrade their skills to match the demands of the changing global economy. Unfortunately, policymakers with short political time horizons might be more concerned with avoiding these short-term adjustment costs than with nurturing the long-term benefits of free trade, increased mobility of labour and capital, and labor market reforms. This view is misguided. The world economy has never been
healthier than it is today. A good deal of the credit for this higher standard can be traced to globalization.

Cutting down the wage bill has become the thrust area for the imperialists. All the technological improvements and mechanization are centered around the concept of "jobless growth i.e. increasing the production and reducing the workforce. New industries established by foreign capital have not created enough jobs to absorb those who lost jobs in the process of de-industrialization.

According to the report of May 2002, a special group on employment opportunities constituted by the Planning Commission, the rate of employment growth had declined from an annual average of 2.8% in the period 1983 and 1993-94 to 1.07% in the period between 1993-94 and 1999-00. This happened despite a significant acceleration in the recorded rate of economic growth, from an annual average of 5.2 percent in the earlier period to 6.7 percent. As a result of this the
unemployed population had increased from 20.13 million to 26.58 million.

The condition of those who are employed is no better. Most of the workers in India are not only underemployed but working under horrible working conditions and increased work pressure. Flexibility of deployment of labour is the new *mantra* of the globalization period. Flexibility of labour means employing labour at the whims and fancies of the employer. Workers are hired and fired as per the convenience of industrialists. Keeping the workers whenever there is a demand for their products and firing them when the demand falls. This flexibility of hiring workers facilitates the management to maintain the wage bill at the minimum level and pushes workers into permanent uncertainty.

Capitalists are asking for freedom in dealing with workers. Because of this approach of industrialists, the status of worker is undergoing a see a change. "Restrictions on the hiring and firing of workers are identified as one of the challenges of doing business in
India*. The imperialists and big bourgeoisie want 'hire and fire' policy to be legalized. This is the remark of World Development Report, despite the fact that more than 90 percent of workers are under the unorganized sector who do not have any protection of labour laws whatsoever.

According to the Second National commission on Labour Report, a mere 8.3 percent of the Indian labour force is organized, the majority of which mainly belongs to the public sector. Estimates say that no more than 2 to 3 percent of the labour force in India has access to assertion of labour rights through the collective bargaining process.

The new trend in industrial production is outsourcing. Outsourcing or contracting out is a process to get certain activities outside their expertise through contractors. This will not only reduces the management's burden but also becomes economical. Though outsourcing was an age-old practice in the manufacturing industries, now it has become an
important phenomenon to reduce the cost of production. Since the contractors generally employ casual workers who are generally unorganized and don't have any job protection or wage protection and hence become a most vulnerable section of the working class.

Casualisation of the work force is another important feature in the current production process. Most of the firms are taking casual workers in place of regular employees. Even for regular and continuous production work they are using temporary workers. With a large reserve army of unemployed it is not difficult for the industrialists to find a continuous inflow of temporary workers. Using contractors for supplying labour is another important method of having casual labour. This casual labour is not only denied benefits like minimum wages, compensation, insurance, medical, provident fund, etc, their right to form unions to protect their interests is also undermined.

In this way workers are the direct victims of Globalization. In this present phase of Globalization to
enhance the profitability by cutting down the wage bill the whole production process is being restructured. This restructuring process has adversely affected the working class.

The impact of globalization is more severe on women. Many supporters of globalization claim that it is creating more employment opportunities but the fact is that woman employment has increased only marginally. And it is only in the flexible and cheap labour category catering mainly to the needs of contract works and the informal sector. Of course there has be an increase as sex objects in the tourism, advertising and entertainment sectors.

There is another factor for women employment. With the drop in the primary worker's wages and employment, women are typically called upon to help sustain household income. In other words, more women are pushed into the labour market. According to World Development Report [WDR] (1995) relative position of women has often deteriorated under structural
adjustment, because women, who are mostly employed in low-wage informal sectors are more vulnerable than men.

The reforms with the help of the restructuring process, have further accelerated the segmentation of the labour market through informalisation of the economy which has spelt deterioration of labour standards. More and more skilled and unskilled workers retrenched from the formal sector have sought employment in the informal sector.

So the impact of globalisation can be seen in many field. These is a common belief that globalisation harm is causing to the internet of workers, especially unskilled workers, either directly indirectly, through trade and capital mobility. Its effect on wages, employment and income inequality have led to a uncertainty between working class. The impact of globalisation is also more several on women employment. Another aspect which has seriously
affected the working class is liberalisation in which the prices of essential commodities touching the sky. As workers both in urban and rural areas as well as spend a large share of their income on food, the real wages of the workers have gone down adversely affecting their living standards.

3 Does Globalization Lower Wages and Export Jobs? Matthew J. Slaughter and Phillip Swagel. 1997 International Monetary Fund was Hington, D.C.