

THE EFFECT OF GLOBALIZATION ON LABOUR IN DEVELOPING COUNTRIES

*Jayeeta Roy

LL.M. (Corporate and Commercial Law)

Christ Deemed to be University

Bangalore.

ABSTRACT

The present article deals with the status of labour under globalizing conditions with respect to developing countries. It begins with the introduction that lays down the changing meaning of globalization and followed by summarizing global developments in terms of divergence and convergence in global incomes and inequality. The primary question raised in this article is how globalization has impacted the labour market and labour productivity across the world economy. With reference to the developing countries in particular, the article delves into the impact of globalization on employment and wages in the organized sector. Thereafter, the article deals with the position of India and analyses whether there has been an increase in rural real wages and in agricultural productivity after globalization. The article is then concluded with a summary statement of the forces of change caused by globalization in the contemporary Indian situation and emphasizes on the need for government intervention for the welfare of the labour forces.

Keywords: Globalization, Labour, Real Wages, Developing Economies, Government Intervention, Contemporary India.

INTRODUCTION

Wealth inequality has increased significantly in most economies around the world, whether developed or developing.¹ The proportion of wealth owned by India's billionaires increased from 1.8 per cent in 2003 to 26 per cent in 2008.²¹ In Scandinavian countries in 1970, an historical/geographical low point, the richest decile owned only 50 per cent of national wealth; currently, the richest decile in most European countries, including France, Germany, Britain and Italy, owns around 60 per cent, the poorest half generally less than 5 percent.² Thomas Piketty's 'monumental Capital in the Twenty-First Century' suggests that inequalities of wealth occurs when the rate of return on capital persistently exceeds growth, i.e. 'capitalism automatically generates arbitrary and unsustainable inequalities that radically undermines the meritocratic values on which democratic societies are based'.³ The OECD published a landmark report in December 2014, showing that economies the world over are hamstrung by growing inequality, because income inequality has a negative and statistically significant impact on growth.⁴

¹ Verity Burgmann, Globalization and Labour in the Twenty-First Century, Taylor & Francis, 2016, P.3

² Id.

³ See at Eddy Lee, Globalization and Labour Standards : A review of Issues, International Labour Review, available at www.heinonline.org.

⁴ Id.

Types and Phases of Globalization

There are two ways to interpret globalization: that of the developed countries and that of the developing countries.⁵ Globalization has gone through a number of phases with different types of globalization characteristic of these phases.⁶ The first phase of globalization started during the history of capitalism. In this phase globalization could be distinguished based on trade involving commodities that are not just luxuries or incidental but critical to consumption in different countries. This type of globalization was characterized by separation of production from consumption with respect to trade in commodities.⁷ The second phase of globalization was characterized by the growth of foreign direct investment (FDI).⁸ This is the globalization that was identified by the economists as the highest state of capitalism.⁹

The third type of globalization is the present contemporary situation where segments or tasks in production are carried out in various locations, utilizing the relative costs of capabilities in the developed and developing countries.¹⁰ Different production tasks are carried out in different firms located in many different countries, and these production segments together form a global value chain (GVC).¹¹ This splitting up or splintering of different tasks in production—for example, design, branding and marketing as distinct from manufacturing or assembly and has been identified as the specific feature of globalization.

IMPACT OF GLOBALIZATION ON THE LABOUR PRODUCTIVITY

In furtherance to the above stated introduction, the present article aims to analyse the economic, social and legal status of the workers or the labourers under the umbrella of globalization. It is observed that the third phase of globalization that has been characterized by the segmentation of the production process has led to the movement of workers across the globe. Here, the reference is with some form of temporary or circular migration where the workers have, in a sense, multiple households in both destination and source countries.¹² Globalisation has prompted workers and their organisations to find new ways to mobilise.¹³ Mobilisation of labour on one hand is opening up employment avenues for surplus labour in developing economies and adding up to the per capita and national income. Therefore, it can be understood that globalization has led to rising employment opportunities and generation of income. However, having said that it can be also stated here that the positive impact of globalization on labour has also been limited or restrained by the negative impacts. This is particularly in reference to the economy of the developing countries. The reason being that the labour market in the developing countries are gradually diminishing and succumbing to the needs of the developed countries. For instance, a country like India has opened up various outsourcing avenues where the front line workers or labourers are providing their services to the foreign and multinational organisations. The developed countries are able to secure the workers from India and other developing nations at a very cheap and subsidized rate of return. This kind of a scenario is causing huge disadvantage in terms of income generation and employment opportunities in developing economies.

⁵ Dev Nathan, Globalisation of Labour, Economic and Political Weekly, Vol. 42, No. 39 (Sep. 29 - Oct. 5, 2007), pp. 3995- 4001, available at <https://www.jstor.org/stable/40276477>, last accessed 09-12-2019

⁶ Id.

⁷ Rajendra Prasad Pandey, GLOBALIZATION AND LEGAL PROTECTION OF LABOUR IN INDIA, The Indian Journal of Political Science, Vol. 71, No. 1 (JAN. - MAR., 2010), pp. 133- 144, Indian Political Science Association, available at <https://www.jstor.org/stable/42748374>, last accessed on 09-12-2019

⁸ Dev Nathan, Globalisation of Labour, Economic and Political Weekly, Vol. 42, No. 39 (Sep. 29 - Oct. 5, 2007), pp. 3995- 4001, available at <https://www.jstor.org/stable/40276477>, last accessed 09-12-2019

⁹ See at D Greenaway, D Nelson, The assessment: Globalization and Labour Market, Oxford Review of Economic Policy, available at <https://academic.oup.com/oxrep/article-abstract/16/3/1/377634>

¹⁰ Id.

¹¹ Id.

¹² Verity Burgmann, Globalization and Labour in the Twenty-First Century, Taylor & Francis, 2016, P.3

¹³ Verity Burgmann, Globalization and Labour in the Twenty-First Century, Taylor & Francis, 2016, P.6

CONSTITUTIONAL PROTECTION OF LABOUR IN INDIA

Globalization has led to shaping the life of people in present time. Indeed, of various sections of society being affected by the process of globalization, the working class people stand out prominently. As globalization, in the main, is understood as a process of greater economic integration amongst various countries of the world, the first and foremost target of globalization process seems to be the dismantling of the comprehensive national framework of legal protection provided for the safety, security and welfare of workers in the face of any exploitative policy or action on the part of the industrialists or the capitalists in various countries.¹⁴ Thus, it can be deduced that inspite of there being laws in place for protection of the rights of the labour and worker force the process of globalization has reduced the status of the workers as the hapless lot remaining on the mercy of the capitalists to hire or fire them, with adverse terms of contract being.¹⁵

The Constitution of India envisages a comprehensive framework in which the issues pertaining to labour have been dealt with at both general and specific levels. At general level, taking a labourer as an individual in society, elaborate provisions have been made to secure a decent, just and dignified life.¹⁶ The guiding philosophy enshrined in the Preamble has been elaborated in the various provisions made under the Part III of the constitution. Article 14 of the Constitution embodies the idea of Rule of Law and equality before law. The most profound expression of the citizens' rights are available under Article 19, consisting of six rights or freedoms out of which three form the basis of the entire edifice on which the modern democratic labour legislation has been formulated.¹⁷ While the various freedoms given under Article 19 prove to be the cornerstone of the labour legislation in the country, the operational dynamics of these laws have been laid down under the provisions of the fundamental rights against exploitation.¹⁸ In other words, the right against exploitation given under Articles 23 and 24 of the constitution is essential in prohibiting the uncivilized and inhuman labour practices. The Directive Principles of State Policy (DPSP) also particularizes the specific aspects of the labour.¹⁹ The underlying phrase used in Article 38- justice, social, economic and political reflects the importance of the Directive Principles on the basis of which the entire structure of the Part IV of the Constitution has been built. Thus Article 38 lays down that the state shall endeavour to promote the well-being of the masses by scrupulously securing and safeguarding a social order in which social, economic and political justice shall permeate all the institutions of public life.²⁰ Article 39 particularizes and puts in black and white certain objectives critical in protection and promotion of the cause of labour in India.²¹ More importantly from the worker's point of view, Article 42 directs the state to make provisions for just and humane conditions of work and maternity.²² relief. Above all, Article 43 stipulates that the state should try to secure to all workers by legislation or in any other way, a living wage, conditions of work ensuring a decent standard of life, and the full enjoyment of leisure.²³ Furthering the cause of the constitutional mandate for the worker's betterment, a new article 43A was added through the Forty-Second Constitutional amendment in 1976 to ensure through legislation the participation of the workers in the- management of the enterprise.

¹⁴ Rajendra Prasad Pandey, GLOBALIZATION AND LEGAL PROTECTION OF LABOUR IN INDIA, The Indian Journal of Political Science, Vol. 71, No. 1 (JAN. - MAR., 2010), pp. 133- 144, Indian Political Science Association, available at <https://www.jstor.org/stable/42748374>, last accessed on 09-12-2019

¹⁵ Id.

¹⁶ Id.

¹⁷ Id.

¹⁸ Id.

¹⁹ Id.

²⁰ Id.

²¹ Id.

²² Id.

²³ Id.

LEGISLATIVE FRAMEWORK FOR PROTECTION OF LABOUR IN INDIA

The Payment of Wages Act, 1936 specifies the regularity and responsibility of the payment of wages in the enterprises. It also stipulates the composition of wages by providing for the components of emoluments as well as the authorized deductions from the wages. The labour legislations, thus, passed during the decades of twenties and thirties of the twentieth century appeared to be more driven by the goal of welfare measures for ensuring basic and minimum standards of life of the workers. This was followed by the Trade Unions Act which was passed for the better coordination and co-existence of labour and capital in a capitalist society. However, the path-breaking move in this direction came with the enactment of the Industrial Disputes Act, 1947 which afforded the workers job protection against arbitrary dismissal and provided for the worker's councils in factories with over hundred workers, in addition to recognizing trade unions as an essential feature of the industrial relations.²⁴ In nutshell, a glance at the evolution and growth of labour legislation in India clearly demonstrates the nature of the laws passed at various points of time with certain discernible trends.²⁵ Gradually, the scope of labour legislation was expanded to treat the workers as the members of a group for the upliftment and betterment of working and welfare conditions of the workers. Finally, with globalization reaching its third phase, the labour legislations extended to the field of industrial relations to correct the inequality of bargaining power inherent in the employment relationship.²⁶

CONTEMPORARY CHALLENGES OF GLOBALIZATION AND PROTECTION OF LABOUR IN DEVELOPING NATIONS

The contemporary phase of the political and economic interactions among the various countries of the world is marked by the move towards globalization that has resulted into apprehensions and expectations in the minds of the common people in general and the vulnerable sections of the society in particular.²⁷ The whole edifice of labour laws has been erected to provide for the protective, ameliorative and cooperative measures to guarantee an ambience 'decent work' for the workers.²⁸ However, 'the economic restructuring as a part of the process of the present phase of globalization has far reaching impact on the world of work and worker's world. The market driven flexible model of organizing production and work has been aggravating inequalities, unemployment and insecurity all over the globe.²⁹ The 'hollowing out of state' has been at the root of work becoming less decent.' Hence, the notion of decent work has arguably been getting increasingly compromised with the strengthening of the processes of globalization.³⁰

In regard to its effect on the labour, globalization is characterized by both apprehensions and expectations, with the former outweighing the latter quite often.³¹ As an observer points out succinctly, 'while dislocation, unemployment and reduced social protection are apprehended to be the short term consequences, the widening and diversification of employment opportunities, rising real earnings and betterment in the working conditions of the labourers are considered to be the advantages which may accrue from globalization in the medium and long. globalization.³² The apprehensions of being losers in the process of globalization are harboured by the workers and their organizations in both developed and developing countries. In developed countries, concerns have been expressed about relocation of jobs in developing countries through outsourcing and shifts of capital. Besides, the consequent increase in unemployment, which is already high in most of these countries, fears are raised about the possibility of what is often described as 'social dumping' in exports of goods produced under

²⁴ Id.

²⁵ Id.

²⁶ Id.

²⁷ Id.

²⁸ Verity Burgmann, *Globalization and Labour in the Twenty-First Century*, Taylor & Francis, 2016, P.6

²⁹ Rajendra Prasad Pandey, *GLOBALIZATION AND LEGAL PROTECTION OF LABOUR IN INDIA*, *The Indian Journal of Political Science*, Vol. 71, No. 1 (JAN. - MAR., 2010), pp. 133- 144, Indian Political Science Association, available at <https://www.jstor.org/stable/42748374>, last accessed on 09-12-2019

³⁰ Id.

³¹ Dev Nathan, *Globalisation of Labour*, *Economic and Political Weekly*, Vol. 42, No. 39 (Sep. 29 - Oct. 5, 2007), pp. 3995- 4001, available at <https://www.jstor.org/stable/40276477>, last accessed 09-12-2019

³² Id.

the sub-standard labour conditions from developing to the developed countries and the danger of a 'race to the bottom' resulting from the competition between producers from developed and developing countries to lower labour standards. In developing countries like India, on the other hand, globalization is often seen to endanger jobs in existing enterprises in so far as the competition from imported goods would lead to technological changes. Finally, an unconventional challenge presented by the wave of globalization to the workers in India is in terms of the skill biases which ordinarily go against the interests of the semi-skilled and unskilled workers, particularly in the developing countries like India. As a matter of fact, the process of globalization in its wake facilitates the introduction of a number of newer technologies having serious repercussions on the nature and dynamics of the processes of production and services.³³ In such a situation, certain specific skills turn out to be preferred ones and the entire industry begins to employ people having those particular skills to the exclusion of those who do not possess such skills.

CONCLUSION

The growth and development of labor legislation in India reflects the difficulty of workers in their quest for a reasonable remuneration and dignified life. Globalization seems to have triggered severe constraints in the development of the developing economies. Though it has been observed that there have been several domestic laws in place for the protection of the rights of the labourers both in terms of financial and social protection, yet such laws have not been able to keep up with the challenges posed by globalization. Globalization has caused inequality in income and employment opportunities within the domestic economy and this has resulted in migration of the labourers to the developed countries. The point here is that the labour force in developing economies are succumbing to the avenues provided by the developed nations and are ready to work for any amount offered to them for their living. In India, at the time of independence, the body of labour laws in the country was quite comprehensive covering most of the industrial matters. Still, the constitution makers ingrained a wide ranging set of provisions aimed at providing a vision for the future rulers to work for the betterment of the lot of the workers.³⁴ Unfortunately, the numerous anti-labour moves in the name of economic reforms clearly demonstrate the vulnerability of the state in India to buckle pressure of the powerful forces working behind the move of globalization. Therefore, it is highly significant that the Government of developing economies like India takes into stride the challenges posed by globalization on the economic condition of the labourers and provide them adequate protection and welfare mechanism that would in turn benefit the domestic economy and increase the country's national income.

³³ Id.

³⁴ Rajendra Prasad Pandey, GLOBALIZATION AND LEGAL PROTECTION OF LABOUR IN INDIA, The Indian Journal of Political Science, Vol. 71, No. 1 (JAN. - MAR., 2010), pp. 133- 144, Indian Political Science Association, available at <https://www.jstor.org/stable/42748374>, last accessed on 09-12-2019