

## GLOBALIZATION: EFFECTS ON LABOUR IN DEVELOPING COUNTRIES

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**Abstract :** Globalization is one word that has gathered a lot of attention from people around the world. Those against it find various ways to promote it and those against it find reasons to criticize it. Globalization has had different effects on developing and developed countries as well. It has to a larger extent affected labour in developing countries. Though many good developments have taken place but these are not beneficial to the labour in the long term. This paper attempts to present the effect of globalization on developing countries. The effect on labour in developing countries, advent of MNCs and its effect on the small scale industries, globalization and the privatization of PSE (Public Sector Enterprises). Reducing importance of trade unions and resulting loss of welfare and loss of bargaining power of workers. Effect on agriculture and small scale industries is touched upon. A number of considerable countries around the world are developing or emerging economies. The countries are concentrated in Asia, Latin America and Africa. These countries have a similar type of socio-economic problems. The study of globalization and its subsequent effect on labour in developing countries can help understand these problems and find possible solutions.

**Keywords:** Globalization, Labour, Welfare, Trade Unions, Collective Bargaining, Unemployment.

### 1 INTRODUCTION

Globalization is the worldwide movement toward economic, financial, trade and communications integration. Globalization implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital goods and services across national frontiers. However, it does not include unhindered movement of labour and as suggested by some economists, may hurt smaller or fragile economies if applied indiscriminately.

Globalization has helped to connect the world in a better way. Although connectivity has improved but there are many problems worth concentrating upon. Globalization had made many promises and has had different effects on different aspects of life.

### HISTORICAL PERSPECTIVE

The French and Russian revolutions had brought about in the world the socialist ideology and welfare oriented policies.

In the 19th century there was a rise in welfare policies and protection of working class. But in the late 1980's the fall of USSR and other leftist- socialist countries led to rise in capitalism. During this time the ideology of globalization spread like forest fire. The wave of globalization hit India during early 1990's and so began the culture of MNC's and reduction of welfare policies.

### **CURRENT SCENARIO:**

Globalization is a phenomenon through which the diverse world is unified into a single society. Globalization requires reforms like reduction of trade barriers and privatization of the public sector enterprises.

### **EFFECTS OF REDUCTION IN TRADE BARRIER:**

The host nation is required to reduce the trade barriers or sometimes abolish the trade barriers. Reduction of trade barriers leads to an increase in new stronger firms entering the domestic market. In case of developing countries MNC's enter the host nation.

Domestic industries in the developing countries are not strong enough to endure the competition from the giants like MNC's and give up to the pressure. When such industries are unable to endure pressure and competition from MNC's and close down, it leads to rise in unemployment of labour working in such industries

### **PRIVATIZATION OF PUBLIC SECTOR ENTERPRISES (PSE):**

Privatization of Public Sector Enterprises may not be a requisite for globalization, but eventual privatization of PSE takes place if the host nation is not strongly determined enough to protect its PSE.

When privatization of PSE takes place labour force working and in these PSE's lose their jobs. In some cases nearly half of the workers are considered redundant when the PSE's are privatized or run as a private firm thus adding up to the problems of unemployment of labour.

Moreover, privatization of PSE's not only is harmful from the point of view of labour getting unemployed but such PSE's are set up with a motto of providing welfare towards the citizens of the countries and this very motto ceases to exist. The privatization of PSE's thus, leads to rise in unemployment and reduction in welfare policies.

### **ECONOMIC INSECURITY AND INSTABILITY:**

Globalization in a way means integration of world economies in a free environment i.e. open economies. Micro-economic fluctuations in the economy due to open economy and easy capital movement may lead to an increase in economic insecurity and instability.

For a developing country, economic insecurity and instability and fluctuations cannot be sustained for longer periods, since such insecurities are harmful for any emerging economy.

### **WAGE RATES DIFFERENCES IN DEVELOPED AND DEVELOPING COUNTRIES:**

As accepted theoretically, trade and globalization is supposed to equalize wages in different countries. In reality this is not found true. Wages in developing countries and that of the developed countries have huge gaps. Wages in developing countries are far less as compared to that of the developed countries. This gap seems to be getting wider and wider day by day. Trade and globalization has failed to fulfill the promises to bring prosperity to labour of the developing countries.

### **LACK OF HIGHLY SPECIALIZED AND SKILLED LABOUR IN DEVELOPING COUNTRIES:**

In the post-globalization era there is an increasing demand for the specialized goods. Indirectly there is an increase in demand for skilled and highly industry specific labour. Population in developing countries is unable to attain highly specialized and industry specific knowledge. Thus, such type of labour does not get high paying jobs or else remains unemployed.

### **DECLINING IMPORTANCE OF TRADE UNIONS:**

Globalization has created a rift between the rich and poor countries. Accumulation of capital in the hands of few especially in the hands of the management and owners of production houses has led to a declining importance of trade unions. This leads to decline in the power of labour. Labour class thus becomes powerless and unable to negotiate with the powerful management of the MNC's and large firms.

In the age of globalization labour class has less or no bargaining power. Labour has become mere puppet in the hands of the management. This leads to worsening conditions of the labour class.

## **Globalization: Effects On Labour In Developing Countries**

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For example- Earlier the normal working hours of the labour was 48 hours a week. In post – globalization era no such rules are followed and the working hours per week have now increased up to 72 hours in developing countries.

### **CREATION OF UNDERPRIVILEGED JOBS:**

Globalization has led to a substantial rise in jobs in different sectors. Such jobs are not considered to be privileged in comparison with the jobs in formal sector.

In industries providing such jobs labour laws are not followed. Many labour laws are relaxed by the governments of the developing countries to attract job creating MNC's. When labour laws are sidelined or relaxed welfare of labour is compromised in the developing countries.

### **EFFECT ON TRADITIONAL AND SMALL SCALE INDUSTRIES:**

India is an agrarian country. A substantial population is employed in agriculture and allied agro-based industries. With the MNC's and TNC's entering the market such traditional and small scale industries are not able to match the power of MNC's and TNC's. These MNC's are so powerful that with their financial and political influence they are able to spread their tentacles deep in to the developing economies. With the lack of technological expertise and lack of financial power the traditional and small scale industries are not able to match or compete with the MNC's and face a setback. Similarly, the marginal farmer is also unable to survive such technical expertise of the developed countries and face enormous difficulties to sell their agro based products in the developed countries.

The traditional and small scale industries which are 'generators of employment' in the developing countries are thus, adversely affected by the globalization and liberal policies.

### **POSSIBLE SOLUTION:**

Globalization has brought together the world. Connectivity of the world has increased, increased availability of goods is also good thing that has happened. If more favourable terms are formed in favour of developing countries and that the labour class is given a more humane treatment. If government takes more favourable steps to protect domestic industries and with some other economic changes then globalization is expected to do some good to developing countries also.

### **CONCLUSION:**

The advent of globalization and the fall of socialist bloc of nations around the world have led to decline in the importance of the welfare policies.

Globalization and open trade was supposed to bring prosperity. It has also succeeded in bringing prosperity but only to the developed countries or the richer countries. The developing countries have experienced adverse effect of globalization to a larger extent. The worst hit is the labour class.

Reduction in trade barriers, excessive competition arising out of it for domestic industries and the consequent shutting down of the weaker domestic industries give rise to unemployment. Privatization of PSE's and the eventual downsizing of labour under the pretext of overstaffing and the shutting down of the traditional industries due to huge competition of larger industries all led to loss of good jobs and further adding up to the problem of unemployment.

Declining importance of trade unions, loss of negotiating power of labour and Crushing of labour laws or relaxation of labour laws all lead decreasing welfare of labour and labour itself. This starts the vicious circle of poverty for the unemployed labour. In spite of all these disheartening conditions arising in case of the labour around the world hopes still persists. Rise in socialist ideology in Europe, Latin America is evident from socialist political parties coming to power, which showcases that people are realizing how globalization has failed to fulfill its promises of prosperity and that constantly people in developing countries are searching for opportunities to overcome harsh realities faced in developing countries and hope for the return of socialistic and welfare oriented policies.

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