

IMPACT OF GLOBALIZATION ON INDUSTRIAL RELATIONS

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***Abstract:** Driven by technological advances, improved communications, economic liberalization, and increased international competition, globalization has brought in an era of economic, institutional and cultural integration. Under globalization the workplace practices are under a constant state of flux. Academics are not only analyzing the benefits and the deleterious effects of this phenomenon on the employment relations of developed and under-developed nations. They have also stirred up the old controversy regarding the longer-run trajectory of employment relations systems under the pressures of globalization. The debate is on the question that whether the industrial relations systems of countries are converging or diverging, the aim of this study is to find out, how the social partners, governments and researchers interpret the challenges of globalization on future developments of industrial relations.*

***Keywords:** Globalization, Employment Security, Labour Market, Industrial Relations Systems.*

INTRODUCTION

Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalization is still unavailable a few definitions are worth viewing, Guy Brainbant: Says that the process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNC's population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labour. In context to India, this implies

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opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNC's in india, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

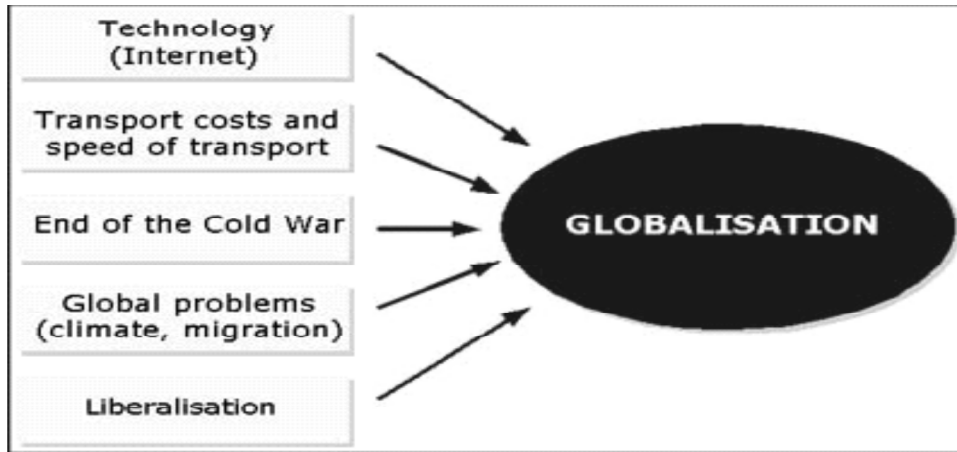


Figure 1: Globalization

REVIEW OF LITERATURE

The debate on the impact of globalization is not restricted to the above-mentioned areas. It has also stirred up an old controversy regarding the longer-run trajectory of employment relations systems. John Dunlop in his book "Industrialism and Industrial Man (1960)" took technological development as the main force and said that industrialism has commanding logics of its own and these logics result in advanced industrial societies becoming more alike, despite political and cultural differences, and certainly more alike than any one of them is like a less developed country. Other scholars like Doeringer (1981), Piore (1981) have taken rulemaking processes and regulatory institutions respectively as the main focus and concluded that all countries show tendencies to institutionalize their arrangements of rule making and there is convergence as far as regulatory institutions are concerned. Developing countries under global pressures are trying to stay on the economic map. In order to do so these countries are taking steps to make sure that compared to other developing countries their economic environment provides more incentives to multi-national companies and attracts more foreign direct investment. The argument is that the developing nations, in an attempt to achieve these overall goals are making legal changes and adopting new employment practices which are similar to each other and their employment relations are moving towards the same direction. These similarities can

range from lay off policies, collective bargaining structures, and legal rights of workers to worker safety legislation. At the workplace level this convergence, according to the scholars, is taking two forms: functional flexibility aimed at increasing the skills of workers and making them multi-task for producing complex goods and services, and numerical flexibility characterized by lack of unionization, increased contingent workers and Taylorist work practices. On the other hand, Ira Katznelson and Aristide Zolberg in their book "Working-Class Formation (1986)" took formation of the working class as a major and crucial outcome of industrial development and concluded by their case studies of industrialized countries that there are as many variations as there are cases. They attributed these distinctions to the differences to political and legal backgrounds, and the character of the regime within each of these countries. Derbshire and Katz (1997) coined the phrase 'converging-divergence' to describe commonalities in the changes underway in employment relations across countries (Bamber, 2001). They believed that there is little evidence of convergence, in fact there are variations and they categorized the emerging patterns as low wage (managerial discretion, hierarchical work patterns, piece-rates, anti-union, and high turnover), HRM (corporate culture, directed teams, better wages, contingent pay, individual careers, and union substitution), Japanese oriented (Standardized procedures, problem solving teams, high pay linked with seniority, and enterprise unionism), and joint team based (joint decision making, semi-autonomous teams, high pay career development and union and employee involvement). Finally, the institutionalists believe that institutional influences remain important in shaping employment relations. They see the importance of the interaction of several factors, including economic strategies, culture, and the role of the state, in the debate of convergence and divergence. They see employment relations systems as strongly institutionalized within wider business systems that are, in effect, specific to the particular societies in which they take shape, making convergence unlikely. Globalization has a contradictory impact on industrial relations. On the one hand, it is accelerating economic interdependence between countries on an intraregional and interregional basis and encouraging similar business approaches of individual companies in competitive markets. This may lead to some convergence in industrial relations arrangements worldwide. On the other hand, evidence exists that industrial relations in some countries resist the convergence trend; such resistance from industrial relations actors is based on particular national and regional circumstances, such as in Europe and Asia (Macdonald 1997). The effect of globalization on industrial relations procedures and their substantive outcomes depends on the conditions under which industrial relations take place within a country. For instance, the pressure for greater flexibility in the use of labour is omnipresent, but the outcome is constrained by cultural norms valuing hierarchy and security. Countries' strategies vary due to historical circumstances, resources and internal political dynamics, including the influence of trade unions. Thus, the extent and impact of globalization differs between countries, resulting in similar concerns for policymakers yet leading to variable responses and industrial relations outcomes (Frenkel and Peetz 1998). No common understanding exists in research concerning the influence of globalization

on industrial relations; the viewpoints of the social partners mainly reflect two directions (Thelen and Wijnbergen 2003).

THE IMPORTANT REFORM MEASURES (STEP TOWARDS GLOBALIZATION)

Indian economy was in deep crisis in July 1991, when foreign currency reserves had plummeted to almost billion inflation had roared to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost confidence in Indian economy. Capital was flying out of the country and we were close to defaulting on loans. Along with these bottlenecks at home, many unforeseeable changes swept the economies of nations in Western and Eastern Europe, South east Asia, Latin America and elsewhere, around the same time. These were the economic compulsions at home and abroad that called for a complete overhauling of our economic policies and programs. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included the following.

- o **Devaluation:** the first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact this measure was taken in order to resolve the BOP crisis.
- o **Disinvestment** - In order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. Under the privatization scheme, most of the public sector undertakings have been being sold to private sector.
- o **Dismantling of the industrial Licensing Regime** At present, only six industries are under compulsory licensing mainly on accounting of environmental safety and strategic considerations. A significantly amended locational policy in tune with the liberalized licensing policy is in place. No industrial approval is required from the government for locations not falling within 25kms of the periphery of cities having a population of more than one million.
- o **Allowing foreign Direct Investment (FDI)** across a wide spectrum of industries and encouraging non-debt flows. The department has put in place a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. Some of the recent initiatives taken to further liberalize the FDI regime, inter alia, include opening up of sectors such as Insurance (up to 26%) development of integrated townships (up to 100%) defence industry (up to 26%) tea plantation (upto 100%) subject to divestment of 26% within five years to FDI) enhancement of FDI limits in private sector banking, allowing FDI up to 100% under the automatic route for most

manufacturing activities in SEZs; opening up B2B e-commerce³; Internet service providers (ISPs) without gateways; electronic mail and voice mail to 100% foreign investment subject to 26% divestment condition; etc. The department has also strengthened investment facilitation measures through foreign investment implementation Authority (FIIA)

- o **Non Resident Indian Scheme** the general policy and facilities for foreign direct investment as available to foreign investors / Companies are fully applicable to NRIs as well. In addition Government has extended some concessions specially for NRIs and overseas corporate bodies having more than 60% stake by NRIs
- o **Throwing open industries reserved for the public sector to private participation.** Now there are only three industries reserved for the public sector
- o **Abolition of the (MRTP) Act**, which necessitated prior approval for capacity expansion
- o **The reduction of the peak customs tariff** from over 300 per cent prior to the 30 per cent rate that applies now.
- o Severs restrictions on short-term debt allowing external commercial borrowings based on external debt sustainability.
- o **Wide-ranging financial sector reforms** in the banking, capital markets, and insurance sectors, including the deregulation of interest rates, strong regulation and supervisory systems, and the introduction of foreign/private sector competition

IMPACT OF GLOBALIZATION

The implications of globalization for a national economy are many. Globalization has intensified interdependence and competition between economies in the world market. These economic reforms have yielded the following significant benefits; Globalization in India had a favorable impact on the overall growth rate of the economy. This is major improvement give that India's growth rate in the 1970s was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India average annual growth rate almost doubled in the eighties to 5.9%, it was still lower than the growth rate in china, Korea and Indonesia. The pickup in GDP growth has helped improve India's global position. Consequently India's position in the global economy has improved from the 8th position in 1991 to 4th place in 2001; when GDP is calculated on a purchasing power parity basis. During 1991-92 the first year of Rao's reforms program, The Indian economy grew by 0.9% only. However the gross Domestic product (GDP) growth accelerated to 5.3% in 1992-93 and 6.2% 1993-94. A growth rate of above 8% was an achievement by the Indian during the year 2003-2004 India's GDP growth rate can be seen from the following

graph since independence. Over the past years, Europe has had to deal with strong challenges stemming from globalization in the form of intensified competition, the transfer of investments, production relocation outside of Europe, job losses, unemployment and rapid structural changes. High expectations exist related to the competitiveness of the Asian economy, which means that labour markets will have to become more flexible as employers demand further deregulation of the labour market in order to successfully cope with worldwide competition. At the same time, the Asian social model underlines the importance of employment security and social cohesion as workers seek greater job security in light of rapid structural change and job relocation. The key issue is how to find a balance between a Asian social model and the flexibilization of labour markets while remaining competitive.

Table 1
Pre Globalization and Post Globalization

| | Pre Globalisation | Post Globalisation |
|---------------------------------------|---|------------------------------------|
| Terminology | Industrial Relations | Employee Relations |
| Union Membership | Increased | Declining |
| Union Management Communication | Adversarial but open | Cooperative |
| Focus on sector | Primarily manufacturing and Agriculture | IT, Services, Telecom, Health care |
| Jobs | Well paying, low productivity | Low paying, high productivity |
| Type of labour | Regular | Contract and temporary |

IMPACT OF GLOBALIZATION ON AGRICULTURAL SECTOR

Agricultural Sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve and any change in its structure is likely to have a corresponding impact on the existing pattern of Social equity. The liberalization of India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan with certain conditions attached which relate to a structural change in the economy. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). Globalization has helped in:

- ✓ Raising living standards,
- ✓ Alleviating poverty,
- ✓ Assuring food security,

- ✓ Generating buoyant market for expansion of industry and services, and
- ✓ Making substantial contribution to the national economic growth.

IMPACT ON FINANCIAL SECTOR

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The recent economic liberalization measures have opened the door to foreign competitors to enter into our domestic market. Innovation has become a must for survival. Financial intermediaries have come out of their traditional approach and they are ready to assume more credit risks. As a consequence, many innovations have taken place in the global financial sectors which have its own impact on the domestic sector also. The emergences of various financial institutions and regulatory bodies have transformed the financial services sector from being a conservative industry to a very dynamic one. In this process this sector is facing a number of challenges. In this changed context, the financial services industry in India has to play a very positive and dynamic role in the years to come by offering many innovative products to suit the varied requirements of the millions of prospective investors spread throughout the country. Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. Growth in financial services (comprising banking, insurance, real estate and business services), after dipping to 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07. Because of Globalization, the financial services industry is in a period of transition. Market shifts, competition, and technological developments are ushering in unprecedented changes in the global financial services industry.

IMPACT ON EXPORT AND IMPORT

India's Export and Import in the year 2001-02 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US \$ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts for nearly 5 to 10% of the country's total agricultural exports.

IMPACT OF GLOBALIZATION ON INDUSTRIAL SECTOR

Effects of Globalization on Indian Industry started when the government opened the country's markets to foreign investments in the early 1990s. Globalization of the Indian

Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail, and BPO. Globalization means the dismantling of trade barriers between nations and the integration of the nations economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country. The benefits of the effects of globalization in the Indian Industry are that many foreign companies set up industries in India, especially in the pharmaceutical, BPO, petroleum, manufacturing, and chemical sectors and this helped to provide employment to many people in the country. This helped reduce the level of unemployment and poverty in the country. Also the benefit of the Effects of Globalization on Indian Industry are that the foreign companies brought in highly advanced technology with them and this helped to make the Indian Industry more technologically advanced.

The negative Effects of Globalization on Indian Industry are that with the coming of technology the number of labor required decreased and this resulted in many people being removed from their jobs. This happened mainly in the pharmaceutical, chemical, manufacturing, and cement industries. The importance of modernizing industrial relations has been debated in Europe already since the 1990s. Discussing on modernization of industrial relations rises up questions on problems of today and also challenges of future. Today's problems have been analyzed in the numerous academic reports. But we have only few studies analyzing systematically what are the challenges of the future and what would be their impacts on industrial relations. How social partners, governments and researchers see challenges and future development of industrial relations? Developments in industrial relations systems will depend on the processes in environment. For example, pressures of globalization affect employment relations and industrial relations at regional, national and international levels. These pressures interact with national characteristics: the economic and political system; the type of government; legislative developments; level of economic development; the exposure to globalization; the influence of labour and the state in each country; and different policies regarding industrial relations. The effect of globalization on industrial relations procedures and their substantive outcomes depends on the conditions under which industrial relations take place within a country. For instance how quickly will change the structure of industries, what will be the share of informal sector, and so one. It is obvious that the future of industrial relations systems will depend also on political and economical developments in the countries: which party will be on power; whether there will be shift towards right-wing policies, liberalization, etc.

The aim of this study is to find out, how the social partners, governments and researchers interpret the challenges of globalization on future development of industrial relations. Also we tried to test the hypothesis, whether we can find any evidence of convergence within EU concerning industrial relations.

ADVANTAGES OF GLOBALIZATION

- There is an International market for companies and for consumers there is a wider range of products to choose from.
- Increase in flow of investments from developed countries to developing countries, which can be used for economic reconstruction.
- Greater and faster flow of information between countries and greater cultural interaction has helped to overcome cultural barriers.
- Technological development has resulted in reverse brain drain in developing countries.

DEMERITS OF GLOBALIZATION (CHALLENGES):

- The outsourcing of jobs to developing countries has resulted in loss of jobs in developed countries.
- There is a greater threat of spread of communicable diseases.
- There is an underlying threat of multinational corporations with immense power ruling the globe.
- For smaller developing nations at the receiving end, it could indirectly lead to a subtle form of colonization.
- The number of rural landless families increased from 35 % in 1987 to 45 % in 1999, further to 55% in 2005. The farmers are destined to die of starvation or suicide.

A COMPARISON WITH OTHER DEVELOPING COUNTRIES

Consider global trade – India’s share of world merchandise exports increased from .05% to .07% over the past 20 years. Over the same period China’s share has tripled to almost 4%. India’s share of global trade is similar to that of the Philippines an economy 6 times smaller according to IMF estimates. Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China and 5.5% for Brazil. FDI inflows to China now exceed US \$ 50 billion annually. It is only US \$ 4 billion in the case of India.

This paper is based on data collected by authors during Asian Foundation for the Improvement of Living and Working Conditions project on “Impacts of globalization on the Asian social dialogue models”. The purpose of the project was to produce “Industrial relations foresight 2025 for the EU27 and Global7² countries”. The basic question of the study was: How industrial relations look like in the respondents’ country in 2025 taking into account the ongoing process of globalization? Output of the project is an analysis on impacts of globalization on Asian industrial relations in the areas like industrial relations environment, actors, processes, outcomes and impacts. In this paper we focus mostly to general trends of globalization, like working life

flexibility, social security, flexible work forms and economic liberalism. Also we look at respondents' opinions about future developments of industrial relations actors, processes and outcomes.

Increased competition in global markets has created the demand for more specialized and better quality items. This has led to a higher volatility in product markets and shorter product life cycles which, in turn, requires companies to respond quicker to changes in market demand. In terms of production organization, new technologies increase the scope for greater flexibility in the production process and resolve any information and coordination difficulties which previously limited the production capacity of enterprises in different locations around the world (Macdonald 1997). Due to the growth in competitiveness, companies increasingly focus on the demands of international and domestic niche markets in a way that contributes to a growing individualization and decollectivism of work. Moreover, new technology has made it possible to produce the same level of production output with fewer workers. In both situations, an increased emphasis is placed on workers having higher value capacities and skills to perform a variety of jobs. This development has blurred the functional and hierarchical distinctions between different types of jobs and between labour and management in general. In addition, efforts to improve products through innovation, quality, availability and pricing have led companies to set up cross-functional development teams, thus transcending the traditional boundaries between engineering, manufacturing and marketing. These developments have been accompanied by the erosion of the standardized, segmented, stable production process which had facilitated collective industrial relations (Macdonald 1997). These changes are also associated with a continuing shift in employment from manufacturing to service-oriented industries – in other words, jobs shift from traditional manual occupations to various forms of white-collar employment.

GLOBALIZATION AND LABOUR MARKET EFFECTS

In terms of the labour market, the most influential effects of globalization include the following:

- ❖ flexibilization of labour markets;
- ❖ increasing labour migration;
- ❖ rising atypical and non-standard forms of employment;
- ❖ changes in work content and working conditions;
- ❖ Skills mismatch, multi-skilling and the need for lifelong learning.

Employment issues are critical to every country. However, countries have approached these issues in different ways and employment standards thus vary widely across countries. Research partly attributes the differences between countries to the stage of their development at a given point in time. Nevertheless, employment

standards continue to play a key role in determining a country's competitive advantage in terms of labour market development. Due to growing competitiveness, many countries are obliged to relax their employment protection mechanisms in order to increase their labour market flexibility. Therefore, a new balance between labour market flexibility and social protection will have to be established (HM Treasury 2005). Several countries propose labour market reforms as a way of coping with the challenges of flexibilization while providing an adequate level of job and employment security. As a result of intensified competition, companies are now being required to innovate to deliver 'the right product at the right price and time' (Macdonald 1997). Hence, company management should also focus on promoting enterprise efficiency, both in terms of labour market flexibility and labour productivity. Overall, employment rates are increasing, but non-standard forms of work such as part-time, fixed-term and self employment are also rising. Broad social developments in many countries have also led to an increasing participation rate of women in the labour market which, in turn, has augmented the demand for atypical forms of employment. As a result of these developments, working conditions do not improve for a lot of workers while their job security may decline. "Benchmarking working Europe 2013" (ETUI-REHS 2013) raises the question of whether the increase in employment is a trade off against the quality of employment. Moreover, the study argues that building employment growth on sub-optimal solution, such as involuntary part-time and other non-standard employment relationships, will only undermine Europe's efforts to become a knowledge-based society. In developing countries, outsourcing and subcontracting are part of a global trend towards lower employment standards, 'actualization' of labour and permanent unemployment. The real problem for developing countries relates to underemployment and disguised unemployment.

| Ranking of Labour Market Efficiency in Selective Countries in 2010 (out of 139 countries) | | | | | | |
|---|----------|-------|-------|-----------|----------|----------|
| Efficiency Indicators | Pakistan | China | India | Indonesia | Malaysia | Thailand |
| Cooperation in labor-employer relations | 104 | 58 | 49 | 47 | 16 | 34 |
| Flexibility of wage determination | 104 | 56 | 61 | 98 | 44 | 90 |
| Rigidity of employment | 110 | 78 | 77 | 100 | 18 | 25 |
| Hiring and firing practices | 51 | 62 | 89 | 38 | 50 | 31 |
| Pay and productivity | 93 | 15 | 61 | 20 | 6 | 29 |
| Brain drain | 68 | 37 | 34 | 27 | 28 | 38 |
| Female participation in labor force | 137 | 23 | 128 | 109 | 111 | 57 |
| Secondary education enrollment rate | 125 | 92 | 108 | 95 | 99 | 96 |

Source: Global Competitive Index Report, 2010

Figure 2: Ranking of labour market

In contrast, the majority of developed countries face serious labour and skill shortages which threaten their sustainability of economic growth, productivity performance and international competitiveness. In the EU, rising labour shortages will put a push on increasing labour migration within the EU and also from non-EU countries. "Employment outlook 2001" (OECD) already highlighted that 'while admissions of new permanent foreign workers are currently very few in number, especially in the Asian OECD countries, the temporary employment of foreigners appear to be becoming more widespread'. The temporary employment of foreign workers introduces flexibility into the labour market while also increasing competition between foreign and domestic labour with varying implications for the countries sending and receiving workers. The latter countries have introduced several policy measures to restrict labour market access for migrant workers, thus limiting competition for work between foreign and domestic workers.

Another area of enterprise activity to be affected by globalization concerns the organization of work. To achieve the flexibility and productive efficiency required to respond quickly and effectively to market changes, the need arises to reorganise work; for example, to put greater emphasis on team-based activities or to improve connections across business units within a company. Related changes have seen a 'flattering' of management hierarchies and the transfer of greater operational responsibility and authority to lower level managers, supervisors and work teams. All of these changes aim to increase workers' commitment to the company and its business goals, as well as to establish closer relationships between managers and workers based on consultation and cooperation (Macdonald 1997). The Asian Trade Union Institute for Research, Education and Health and Safety (ETUI-REHS) argues in its 2013 benchmarking working report that while globalization and rapid changes in economies demand that workers become proactive, adaptable, multi-skilled, responsible and competent, these demands put additional pressure on workers, thus exacerbating their difficulties at a time when working conditions are deteriorating and wages are compressed. The result of these changes will be at an unbearable price, notably a growth in ill-health associated with a decrease in quality of life and unfair costs for individuals and society.

GLOBALIZATION AND INDUSTRIAL RELATIONS

Globalization impacts directly and indirectly on industrial relations systems and its actors. The Asian economy is a good example of illustrating the different effects of globalization on industrial relations. This is due to the fact that, over the past years, Europe has had to deal with strong challenges stemming from globalization in the form of intensified competition, the transfer of investments, production relocation outside of Europe, job losses, unemployment and rapid structural changes. Europe's performance has diverged from that of its competitors in North America and Asia: in this regard, the productivity gap has widened and the investments in research and development (R&D) have been inadequate (Sapir 2003; HM Treasury 2005). Therefore,

Asian labour markets are currently facing major challenges. On the one hand, high expectations exist related to the competitiveness of the Asian economy. This means that labour markets will have to become more flexible as employers demand further deregulation of the labour market in order to successfully cope with worldwide competition. The casualisation of labour is also growing due to economic liberalization, changes in ownership and technology, in addition to cost-cutting competitive strategies of employers. On the other hand, the Asian social model underlines the importance of employment security and social cohesion as workers seek greater job security in light of rapid structural change and job relocation outside of Europe. The key issue is how to find a balance between a modernized Asian social model and the flexibilization of labour markets while remaining competitive.

Pressures of globalization affect employment relations and industrial relations at regional, national and international levels. These pressures interact with national characteristics of: the economic and political system; the type of government; legislative developments; industrial stages; the exposure to globalization; the influence of labour and the state in each country; and different policies regarding industrial relations. Highlights some of the effects and challenges that globalization has on industrial relations systems. As already mentioned, globalization increases the competitiveness and inequality among countries. Productivity growth constitutes the key element of the economic convergence process. It is therefore important to note that productivity growth should be higher than wage growth; otherwise, it could harm employment growth. Over the past 20 years, the process of globalization has accelerated as the internationalization of trade, services, communications, transportation and investments has increased. Under globalization, investments are easily made worldwide, and industries and services move from one country to another, thus restricting opportunities for permanent employment relationships to the benefit of economic performance. Driven by further technological advances, production processes are becoming increasingly fragmented, which enables economic activities to become more international, specialized and tradable. To improve their competitiveness, many MNCs sought to relocate their business operations to countries where labour is cheaper and workers are less protected. In an effort to attract investments, many countries have bid against each other in order to be able to lower wage levels and working conditions. As a result, living standards have been stagnating or even declining in these countries. In addition to the effects of globalization, Europe, as well as some other economically more advanced countries, must also meet the combined challenges of low population growth and an ageing population. In light of these challenges, countries will have to improve labour productivity, employ more people and guarantee long-term growth and social cohesion. In this context, it appears to be impossible for developed countries to handle their current demographic situation without allowing for labour migration originating from developing countries; in particular, the migration of skilled workers is encouraged. At the same time, developing countries, especially China and India, are facing further population growth and a labour surplus. At least over the next 20-

30 years, these countries will have a relative advantage over the more developed countries assuming they are able to control labour costs, since most of the labour intensive production will be concentrated in these countries and their neighboring regions.

Although the current phase of globalization facilitates the free movement of capital, as well as of goods and services, restrictions on cross-border movements of people have not been eased. Therefore, it remains a challenge for developing countries to overcome visa requirements and other restrictions regarding the free movement of labour. However, since labour migration raises competition between foreign and domestic workers with varying implications for countries sending and receiving labour, the latter countries have implemented legal measures to restrict labour market access for migrant workers, thus limiting job competition between foreign and domestic workers. Like any of the developed countries, the developing countries also fear losing skilled workers who were educated and trained at great public expense. At the same time, the developing countries will have to establish a reliable system for providing literacy and vocational skills training to all potential candidates in the labour market together with a support system to guarantee basic health and social security cover for workers. Nonetheless, the main problems that developing countries are currently facing relate to underemployment and disguised unemployment.

This paper examines Industrial Relation trends and developments in India particularly in terms of the challenges employers and their organization are facing and will face in the next decade. This paper does this against the background of an explanation of the changing nature of Industrial Relation, how Industrial Relation are developing in global context, as influenced by the forces of globalization & liberalization and the particular historical and current factors which are influencing those relation in the region. The paper then identifies a range of issues which employer and their organization will need to consider in developing appropriate strategies to respond effectively to the challenges they now confront. Globalization has contradictory impact on Industrial Relation. On one hand globalization is accelerating economic interdependence of India with different countries on intraregional and interregional basis and encouraging similar business approaches of individual companies in competitive market.

National policies are being influenced significantly by extra national forces on a variety of economic, social and labor matters. Problem and decision in one part of the made the business and industry more vulnerable to world affect prospects in other parts of the world and what happens in the other economies of the world. shape the events and institutions elsewhere too. Bankruptcy stock exchange does have their International debts and cross-national inequalities influence on the Indian economy. are limiting the sovereignty of independent nations to act decisively even on matter concerning their Globalization impinges on Industrial Relation own nation. This is new interpretation of global because it contributes to structural changes resulting

interdependence which unfortunately is not based from new forms of organization of work and on balance of power and opportunities.

The WTO regime has emphasized on the removal of from foreign economic influences. Quantitative restriction on international trade and lowering of the tariff wall. This made several Indian Globalization may lead to some convergence in business organizations feel the pain involved in Industrial Relation arrangements in India. On the adjusting to the emerging global market demand. other hard evidence exists that Industrial Relation in Before they could bring themselves in line with some countries resist the convergence trend; such international business trends, the 11th September resistance from Industrial Relation actors are on 2001, terrorist attack on America & recession in the particular national & regional circumstances, such as global market struck. These have their impact on the in India. The effect of globalization on Industrial Indian business and industry also. There was decline Relation procedures and their substantive outcome in growth rate in several segments of the depends on the condition under which Industrial manufacturing sector in India. The integration of Relation takes place within the country. Indian economy with the international economy has made the business and industry more vulnerable to world affect prospects in other parts of the world and what happens in the other economies of the world. Shape the events and institutions elsewhere too. Bankruptcy stock exchange does have their International debts and cross-national inequalities influence on the Indian economy. are limiting the sovereignty of independent nations to act decisively even on matter concerning their Globalization impinges on Industrial Relation own nation. This is new interpretation of global because it contributes to structural changes resulting interdependence which unfortunately is not based from new forms of organization of work and on balance of power and opportunities. production within and between firms & also because its subjects national markets to increased pressures The WTO regime has emphasized on the removal of from foreign economic influences. Quantitative restriction on international trade and lowering of the tariff wall. This made several Indian Globalization may lead to some convergence in business organizations feel the pain involved in Industrial Relation arrangements in India.

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| INDUSRTIAL RELATION | | | |
|---|---------|---|--------|
| ACTORS | PROCESS | OUTPUT | IMPACT |
| Effect of Globalization | | Effect of challenges | |
| <ul style="list-style-type: none"> • Rising competitions. • Increasing integration of economical activities. • Job relocation and out sourcing. • Rapid technological changes. • Changes in work content & working conditions. • Job skills mismatch. | | <ul style="list-style-type: none"> • Productivity increases. • Deregulation of market. • Labor migration. • Entrepreneurship & employability. • Flexibility of labor market & rise of typical employment firm. • Education, multi-skilling & lifelong learning. | |

Figure 3: Given below challenges that globalization has on IR system

CONCLUSION

India gained highly from the LPG model as its GDP increased to 9.7% in 2007-2008. In respect of market capitalization, India ranks fourth in the world. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. The number of landless families has increased and farmers are still committing suicide. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and march strongly on its path of development. The lesson of recent experience is that a country must carefully choose a combination of policies that best enables it to take the opportunity - while avoiding the pitfalls. For over a century the United States has been the largest economy in the world but major developments have taken place in the world Economy since then, leading to the shift of focus from the US and the rich countries of Europe to the two Asian giants- India and China. Economics experts and various studies conducted across the globe envisage India and China to rule the world in the 21st century. India, which is now the fourth largest economy in terms of purchasing power parity, may overtake Japan and become third major economic power within 10 years. To conclude we can say that the modernization that we see around us in our daily life is a contribution of Globalization. Globalization has both positive and as well as negative impacts on various sectors of Indian Economy. So Globalization has taken us a long way from 1991 which has resultant in the advancement our country.

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