



Impact of Globalisation on Poverty, Inequality and Employment in India

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ABSTRACT

The impact of globalisation on employment, poverty, inequality has been profound. India, which accounts for the second most populated country all over the world, initiated steps towards being a global economy in the year 1991, when a series of economic reforms were undertaken. Globalisation has become a widely used term with no formal definition as such. Globalisation describes a process by which national and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration and transportation. In recent times, globalisation has been prominently used in context of economics which is inclusive of, trade, foreign direct investment and international capital flows, etc. The proponents of globalization claim that it has the potential to enrich every country in the world, particularly the developing countries. The initial transition from a closed economy to being a global economy might be painful but the subsequent transformation of the economy brings in explosion of opportunities and choices for the consumers.

The Globalization involves harmonious integration of global markets which are politically as well as geographically divided. Every coin has two sides, the sae goes with globalisation. It has some positives as well as negatives too. It entirely depends upon how efficiently the governments without losing its sovereignty and lands are able to exploit the opportunities presented by this. It is expected that globalisation can prove to be an effective way to alleviate the social evils, such as , poverty, inequality,

and unemployment situation in a country. Initiating long term reforms to facilitate international trade, cooperation can certainly provide a big foot towards economic welfare and development.

REVIEW OF LITERATURE

Mr. G. S. Bhalla (2008) in his paper on **globalisation and employment trends in India** reviewed the impact of globalisation on poverty, employment and inequality in developing countries with special reference to India. It was found that the predictions of current trade theories that increased trade and FDI consequent to globalisation has resulted in generation of higher employment of labour surplus in developing countries have not always been correct. Similar conclusions have followed regarding poverty and inequality.

Mr. Daniela - Emanuela Danacica (2002) in his paper on **the impact of globalisation on inequality and poverty** reviewed that in the countries analysed in his study, globalisation proved to increase inequality, creating a wide gap between the rich and the poor. For some countries, globalisation has proved to be disadvantageous due to their geographical position or weak political and governance structure. On the positive side, globalisation has contributed in alleviating poverty. With about 3 billion people living in the developing countries, number of those living below poverty line, dropped in last few years and access to education, health services and life expectancy increased.

Mr. Krishna A Goyal (2006) in his paper on **Impact of globalisation on developing countries** with reference to India has reviewed that due to globalization not only GDP has increased but also the direction of growth in sectors have changed. Earlier the maximum contribution was made by primary sector, but now service sector is booming and creating huge employment opportunities. In his paper he has presented his arguments by analysing the increase in FDI inflows and increase in negative trade balance.

S. R. Keshava (2002) in his paper on **the impact of globalisation on the development of Indian economy** he commented that Globalization will bring in explosion of choices to consumer, to purchase 'goodies' at much lower prices. But on the other hand, agriculture sector will be adversely affected. This he stated would create joblessness in the economy as a major percentage of the employed labour force derives their livelihood from agricultural sector. This will not only reduce the effective demand, but will also affect the supply of goods. Thus the feel good factor will vanish in thin air.

OBJECTIVES

1. To identify whether globalization has succeeded in eradicating or alleviating poverty in India.
2. To identify whether globalization has been helpful in reducing inequality.
3. To identify whether globalisation has succeeded in generating more employment opportunities in different sectors.

Methodology:

The present study makes use of secondary source of data collected from the publications of Government of India, Reserve Bank of India, Ministry of Industry and Commerce, International labour organisation, Planning commission and other books, journals and periodicals. The reference period of the study is from 1991-2012. Calculation of GINI index for studying inequality has also been done.

Globalisation and its effect on poverty and inequality in India: There has been an ongoing debate about the effect of globalization on Indian poverty level. On analysing the impact of globalisation on inequalities and poverty it was found that there are two levels of globalisation and channels that influence the economic status of country. The reason for increasing poverty and inequality among the regions is the result of the political conflict that are difficult to be settled down in a country with wide diversities. Some scholars have said that "Trade is good for Growth, growth is good for Poor, and so trade is good for poor" (Dollar and Kray, 2001).

The empirical experience of developing countries supports this proposition, as the incidence of poverty declined significantly in many fast growing economies like India. On other hand slow growing economies experienced increased incidence in poverty after globalisation. Growth is not the only factor through which globalisation can reduce poverty, productivity affect the wages too. The second issue related to the impact of globalisation on income inequality within the country. Traditional theory states that trade induces the reduction of income inequality, as there is abundant labour in the developing country, the demand for un-skilled workers rises, leading to an increase in their wages and therefore resulting in decline of dispersion of wages.

But, this has been refuted because of issues stated below .A skill considered low in developed countries may be a high skill activity in developing countries. The relocation may tend to increase inequality within both the countries. Trade and FDI both are technologically bias. These investments are skill intensive and labour can be replaced with new capital skill leading to increasing in-equality.

E.g. – A country imports machinery from developed country and therefore replacing the labour involved in production which will lead to unemployment and further increasing inequality.



Source- world bank publications

Poverty gap index is the measure of intensity of poverty. It estimates the depth of poverty by considering how far the poor are from poverty line. Poverty gap has been declining which means the income level is increasing and depth is decreasing.

Gini index calculates the income distribution among the residents of the country. It helps to track the direction towards which the society is moving in

terms of income inequality. It is not the measure of wealth. Figures between 25-40 are considered good, which means low income inequality. But the main issue in India is that it lies almost at the same level even after globalisation. There is no identifiable difference since 1994-2012. Rather it has increased by 2.78. Which means inequality is increasing among the citizen of country. The calculation of Gini coefficient is done by Lorenz curve, taking income and population on x and y axis respectively.

Calculating the Gini Coefficient

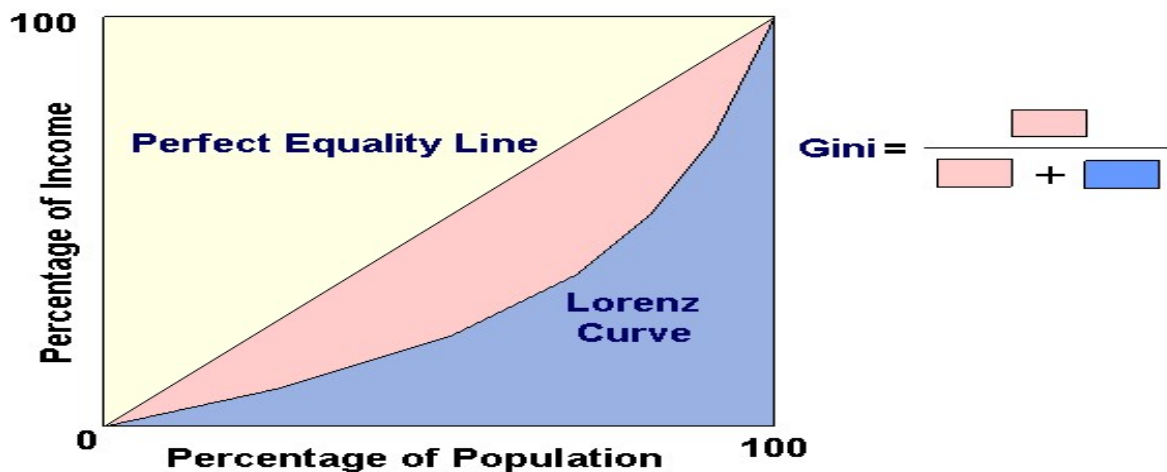


Table No.1:- percentage and No. of Poor estimated from expert group (Tendulkar) Methodology

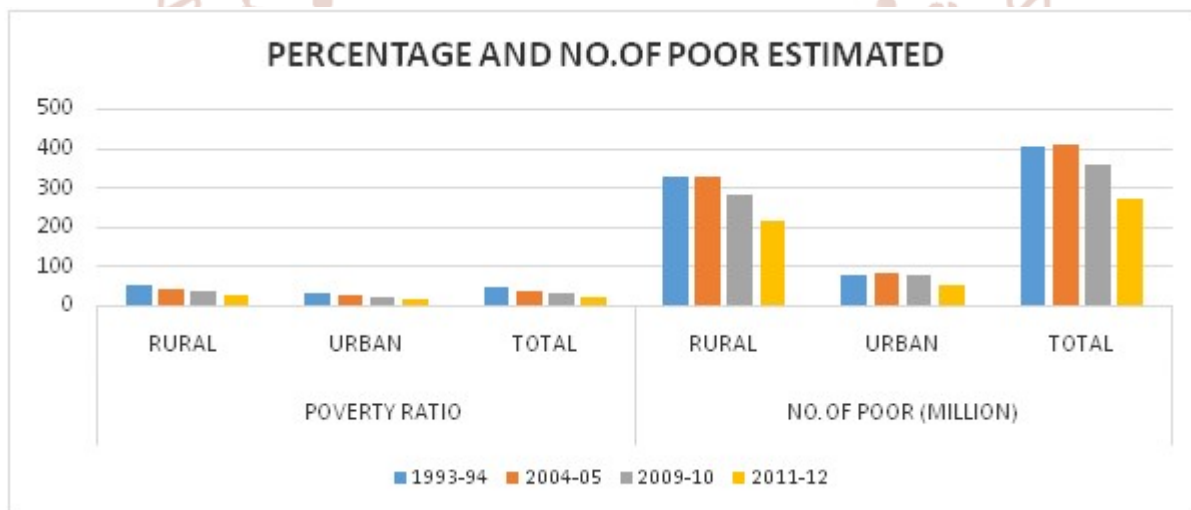
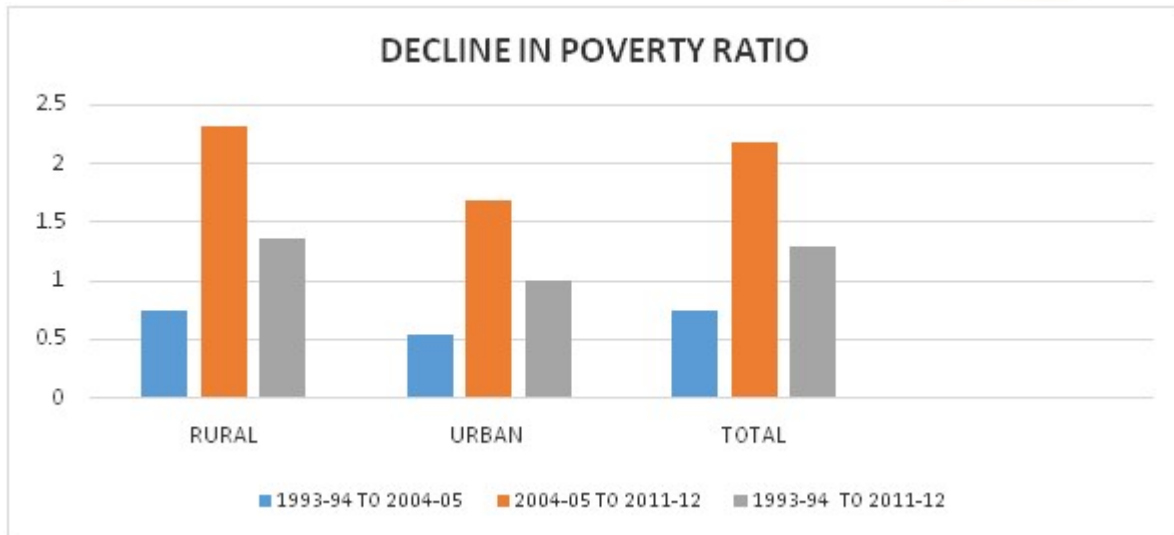
| Year | Poverty Ratio | | | NO. of Poor (Million) | | |
|---------|---------------|-------|-------|-----------------------|-------|-------|
| | Rural | Urban | Total | Rural | Urban | Total |
| 1993-94 | 50.1 | 31.8 | 45.3 | 328.6 | 74.5 | 403.7 |
| 2004-05 | 41.8 | 25.7 | 37.2 | 326.3 | 80.8 | 407.1 |
| 2009-10 | 33.8 | 20.9 | 29.8 | 278.2 | 76.5 | 354.7 |
| 2011-12 | 25.7 | 13.7 | 21.9 | 216.7 | 53.1 | 269.8 |

Source- Measurement of poverty report by Planning commission, Government of India. June 2014

Table No.2:- Decline in poverty ration estimated from expert group (Tendulkar) Methodology (% age points per year)

| Period | Rural | Urban | Total |
|--------------------|-------|-------|-------|
| 1993-94 to 2004-05 | .75 | .55 | .74 |
| 2004-05 to 2011-12 | 2.32 | 1.69 | 2.18 |
| 1993-94 to 2011-12 | 1.36 | 1.01 | 1.30 |

Source- Measurement of poverty report by Planning commission, Government of India. June 2014



The methodology followed by the expert group (Tendulkar committee) was the same as that of its predecessors, i.e the working group of 1962, the task force of 1979 and expert group in 1993. Their methodology is based on an exogenously determined poverty lines expressed in terms of per capita capital consumption in a month and the class distribution of NSS consumer expenditure data of NSSO. The poverty ratio is obtained by counting the persons lying below the poverty line from the class distribution of persons. The statistical data show that poverty has declined to some extent in both rural and urban areas

in the years after globalisation. But this reduction though notable, is not sufficient. The data shows that the government policies can make a significant difference.

Though India has problem concerning poverty and inequality and is registered as low income country by World Bank standards from 2004, but the statistical data taken during the reforms are not so bad. The economic reforms could eradicate the poverty in coming years. On the basis of data collected it can be concluded that: Trade openness helped in reducing

absolute poverty. Although, It does not directly have an effect on the elevation of poverty but it leads to increased productivity which in turn leads to increase in real wages. However, the data presents conflicting results. Although it points out a reduction in poverty level, at the same time it shows the alarming nature of rural urban inequality.

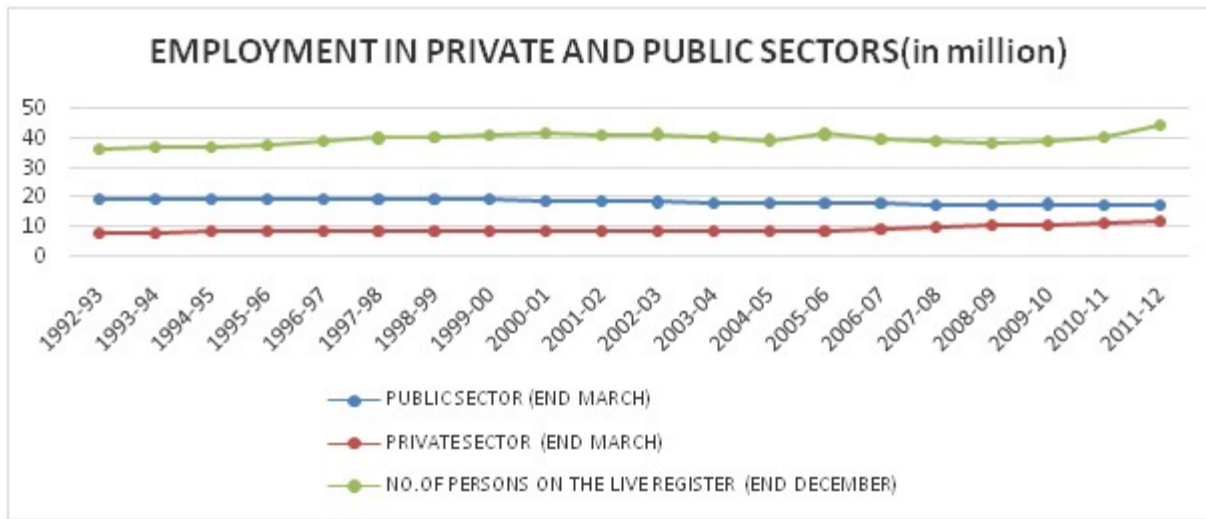
Globalisation and its effect on employment in India- : The relationship between globalization and employment is of growing significance to policy makers in developing countries, but is surprisingly difficult to analyse theoretically and empirically. 'Globalization' means different things to different

analysts and it is so multi-faceted that its effects are difficult to isolate and evaluate. The unemployment trend indicates the portion of people in labour force who are seeking work but are unable to find one are increasing. There have been changes taking place in employment patterns as more and more people are shifting to non-farm activities. An increasing number of labour forces is able to find a regular and salaried employment but a large number of people are still on casual wages. Unemployment rates have been declining in past decade but rural and agriculture labour force still remains badly affected.

Table No. 3 :- Employment in private and public sectors

| Year | Public Sector (End March) | Private Sector (End March) | No. Of persons on the live register (End December) |
|---------|------------------------------|-------------------------------|---|
| 1992-93 | 19.33 | 7.85 | 36.28 |
| 1993-94 | 19.45 | 7.93 | 36.69 |
| 1994-95 | 19.47 | 8.6 | 36.74 |
| 1995-96 | 19.43 | 8.51 | 37.43 |
| 1996-97 | 19.56 | 8.69 | 39.14 |
| 1997-98 | 19.42 | 8.75 | 40.09 |
| 1998-99 | 19.41 | 8.70 | 40.37 |
| 1999-00 | 19.31 | 8.65 | 41.34 |
| 2000-01 | 19.14 | 8.65 | 42.00 |
| 2001-02 | 18.77 | 8.43 | 41.17 |
| 2002-03 | 18.58 | 8.42 | 41.39 |
| 2003-04 | 18.20 | 8.25 | 40.46 |
| 2004-05 | 18.01 | 8.45 | 39.35 |
| 2005-06 | 18.19 | 8.77 | 41.47 |
| 2006-07 | 18.0 | 9.24 | 39.47 |
| 2007-08 | 17.67 | 9.88 | 39.11 |
| 2008-09 | 17.80 | 10.38 | 38.15 |
| 2009-10 | 17.86 | 10.85 | 38.83 |
| 2010-11 | 17.55 | 11.49 | 40.17 |
| 2011-12 | 17.61 | 12.04 | 44.49 |

Source- Directorate general of employment and training.
Ministry of Labour and Employment. Government of India



Source- Directorate general of employment and training. Ministry of Labour and Employment. Government of India.

Table No. 4:- Unemployment Rate

| Categories/ Survey Years | 1999-2000 | 2004-2005 | 2009-2010 | 2011-2012 |
|--------------------------|-----------|-----------|-----------|-----------|
| Rural male (%) | 7.2 | 8.0 | 6.4 | 5.5 |
| Rural female (%) | 7.0 | 8.7 | 8.0 | 6.2 |
| Urban male (%) | 7.3 | 7.5 | 5.1 | 4.9 |
| Urban female (%) | 9.4 | 11.6 | 9.1 | 8.0 |

Source: National Sample Survey Office, Employment and Unemployment Surveys, various rounds.(68TH)

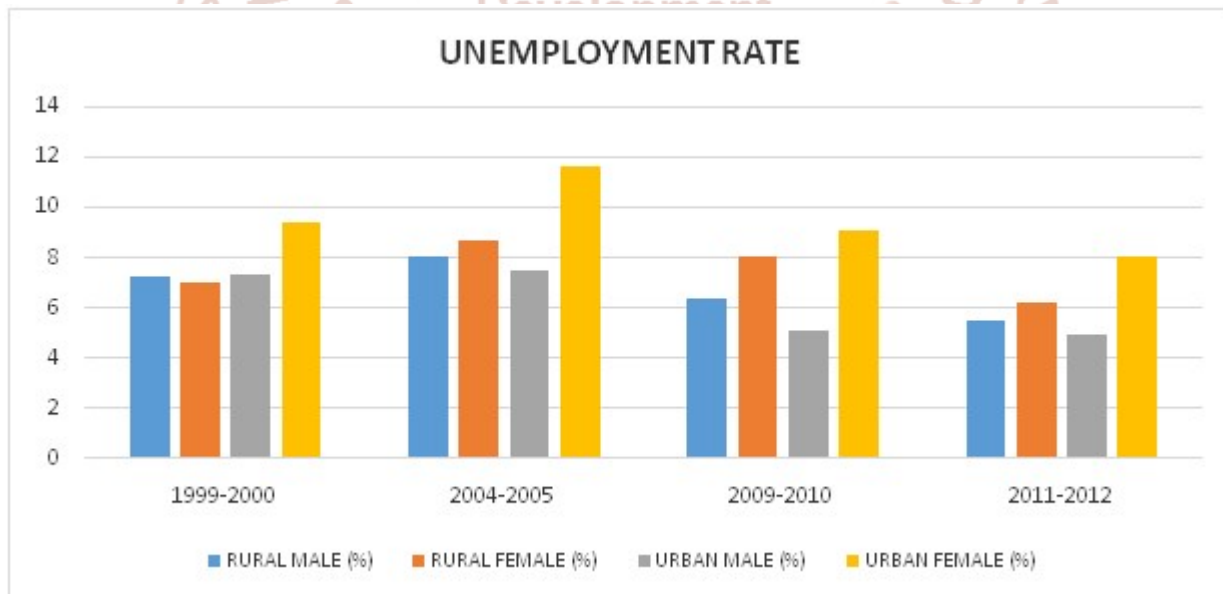
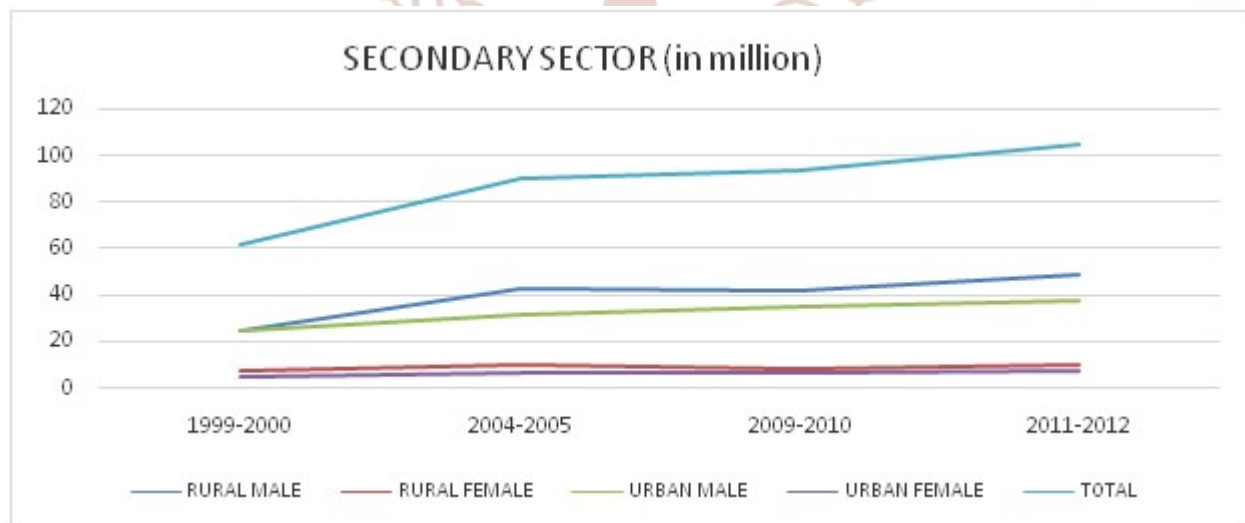
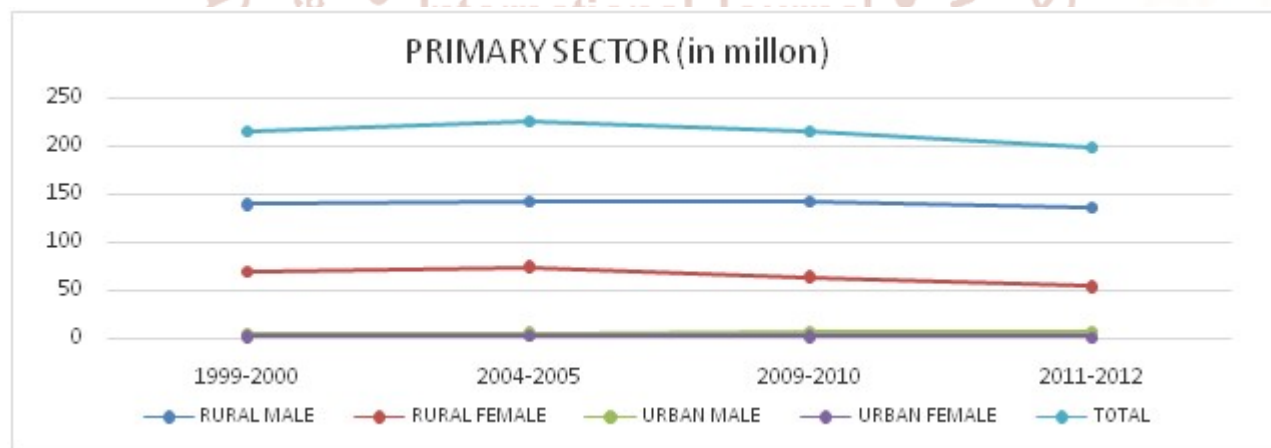


Table No. 5:- Workers in different sectors (in million) UPS

| Categories | Survey years | Rural male | Rural female | Urban male | Urban female | Total |
|------------|--------------|------------|--------------|------------|--------------|---------------|
| Primary | 1999-2000 | 139.26 | 68.57 | 4.82 | 2.36 | 215.01 |
| | 2004-2005 | 141.73 | 74.11 | 5.37 | 3.22 | 224.43 |
| | 2009-2010 | 141.88 | 63.69 | 5.9 | 2.47 | 213.94 |
| | 2011-2012 | 136.42 | 53.69 | 5.99 | 1.86 | 197.96 |
| Secondary | 1999-2000 | 24.71 | 7.78 | 24.51 | 4.46 | 61.46 |
| | 2004-2005 | 42.72 | 9.83 | 31.37 | 6.28 | 90.2 |
| | 2009-2010 | 42.65 | 8.81 | 35.19 | 6.7 | 93.35 |
| | 2011-2012 | 49.22 | 9.84 | 37.76 | 7.63 | 104.45 |
| Tertiary | 1999-2000 | 31.44 | 5.66 | 45.23 | 8.52 | 90.85 |
| | 2004-2005 | 40.72 | 6.81 | 54.02 | 11.34 | 112.89 |
| | 2009-2010 | 40.96 | 7.61 | 60.69 | 11.98 | 121.24 |
| | 2011-2012 | 42.74 | 7.38 | 64.13 | 13.77 | 128.02 |

Source – NSSO 68th round, Employment and Unemployment surveys



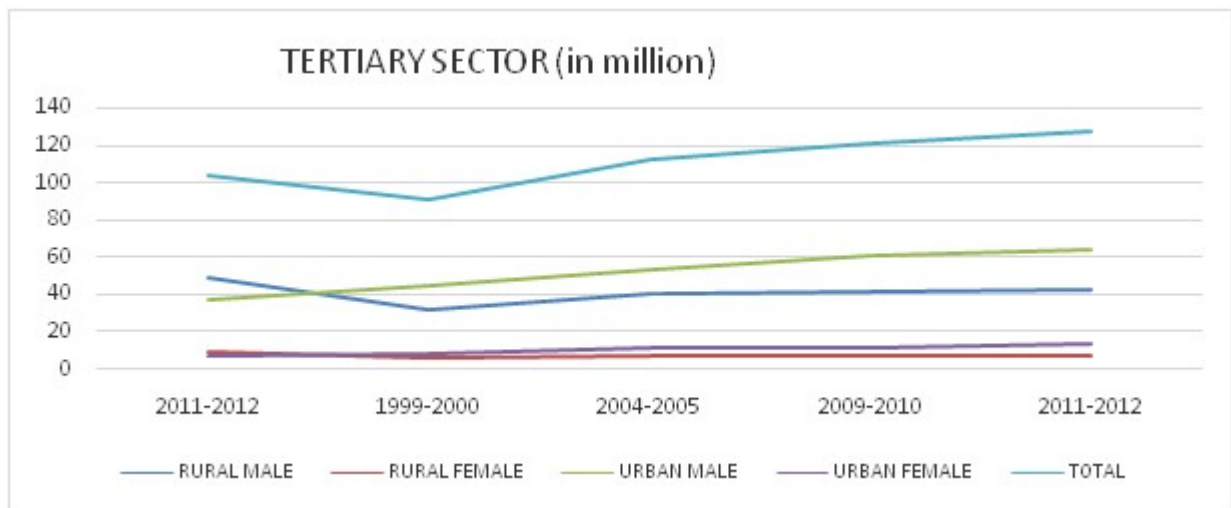
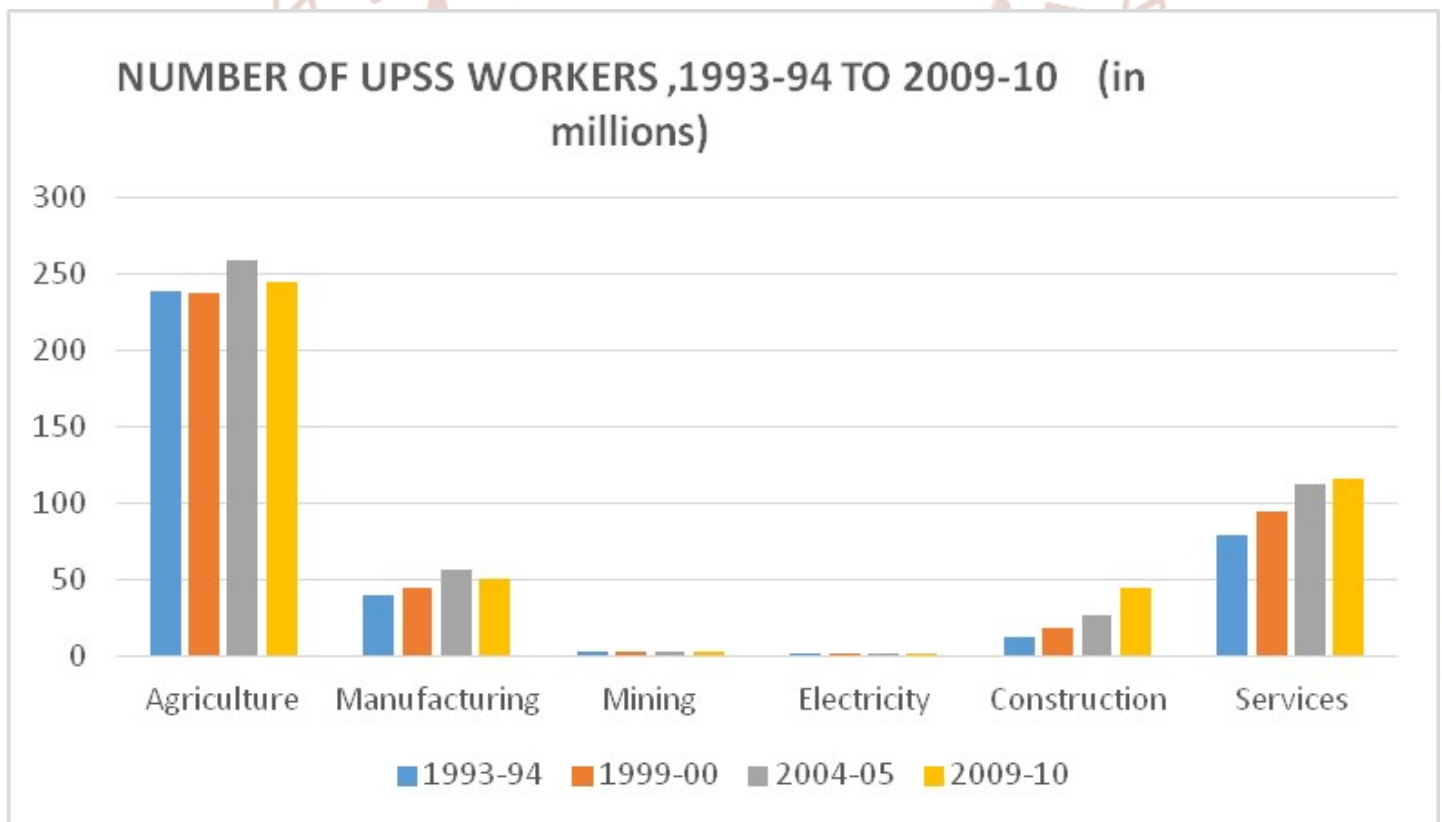


Table No. 6:- Number of UPSS workers 1993-94 to 2009-10 (in Millions)

| Sectors/ Years | 1993-94 | 1999-00 | 2004-05 | 2009-10 |
|----------------|---------------|---------------|---------------|---------------|
| Agriculture | 239.35 | 237.67 | 258.93 | 244.85 |
| Manufacturing | 39.91 | 44.05 | 55.77 | 50.74 |
| Mining | 2.76 | 2.17 | 2.64 | 2.95 |
| Electricity | 1.43 | 1.13 | 1.3 | 1.25 |
| Construction | 11.94 | 17.54 | 26.02 | 44.04 |
| Services | 78.88 | 94.2 | 112.81 | 116.34 |
| Total | 374.27 | 396.76 | 457.47 | 460.17 |

Source – NSSO 68th round, Employment and Unemployment surveys

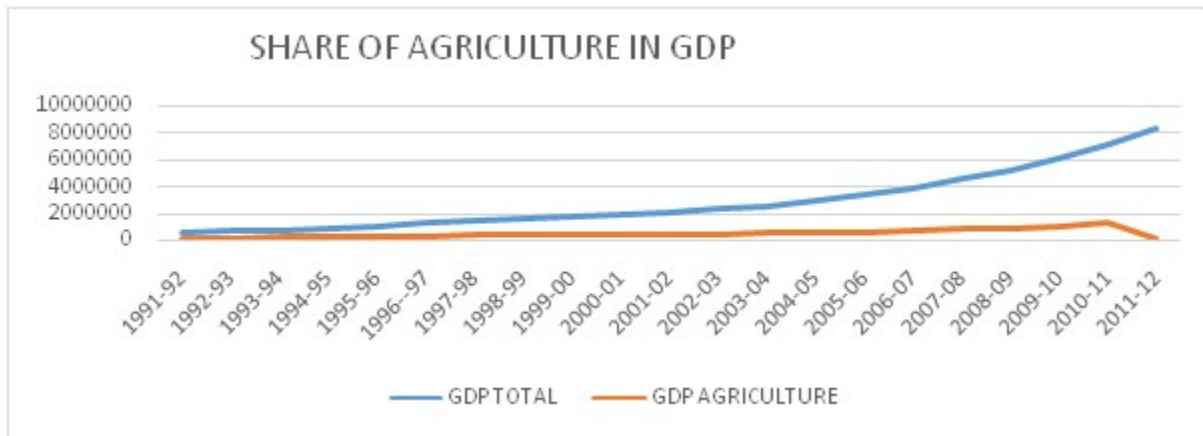


India's economy has grown sharply since globalisation, but agriculture has not. The population in rural areas is rising and also the rural labour force. Though labour force is rising, slow agriculture growth and poverty differentials have not been rising equally. As the labour is stuck in rural areas the farm sizes are declining. In future the share of service sector in total employment will dominate. The concern lies in the increasing number of casual labours in India, which are of highest incidence of poverty in India. In above data though there is no major shift in urban population (in terms of employment), but rural population has shifted to secondary and tertiary sector which will lead to decline in the agriculture produce in India. While the share of agriculture in GDP is declining

rapidly, its share in employment is declining at slow rate. About 65% of Indian population directly relies on agriculture but it constitute to only 17% of GDP. The major cause of worry is agriculture sector, which has been worst hit .Moreover, majority of Indians depend on it for their livelihood. Hence unemployment is increasing as thousands are thrown to streets, become jobless and to that extent effective demand will decrease, which will have its effect on the overall flow of income. Hence the negative impact on agriculture, employment should be curtailed by strong government decision, supplementing it with globalization polices.

Table No. 7-: GDP From Agriculture and Allied sector and its % share to total GDP (1991-2012) at current prices. (In Rs. crore)

| Year | GDP Total | Agriculture | % Share of Agriculture |
|---------|-----------|-------------|------------------------|
| 1991-92 | 613528 | 180313 | 29.39 |
| 1992-93 | 703723 | 202219 | 28.74 |
| 1993-94 | 817961 | 234566 | 28.68 |
| 1994-95 | 955385 | 270167 | 28.27 |
| 1995-96 | 1118586 | 293701 | 26.26 |
| 1996-97 | 1301788 | 353142 | 27.13 |
| 1997-98 | 1447613 | 374744 | 25.89 |
| 1998-99 | 1668739 | 430834 | 28.79 |
| 1999-00 | 1847273 | 455302 | 24.65 |
| 2000-01 | 1991982 | 460608 | 23.12 |
| 2001-02 | 2167745 | 498620 | 23 |
| 2002-03 | 2338200 | 485080 | 20.75 |
| 2003-04 | 2622216 | 544667 | 20.77 |
| 2004-05 | 2971464 | 565426 | 19.03 |
| 2005-06 | 3390503 | 637772 | 18.81 |
| 2006-07 | 3953276 | 722984 | 18.29 |
| 2007-08 | 4582086 | 836518 | 18.26 |
| 2008-09 | 5303567 | 943204 | 17.78 |
| 2009-10 | 6108903 | 1083514 | 17.74 |
| 2010-11 | 7248860 | 1319686 | 18.21 |
| 2011-12 | 8391691 | 149908 | 17.86 |



Source: CSO, Advance estimates, July 2014.

It can be clearly seen from above data (table 7) that share of agriculture in GDP is decreasing rapidly but the employment of work force is decreasing at slow rate (table- 6)

CONCLUSION

Globalization has given opportunity to choose from various goods. It is very clear that the globalisation policy adopted by the government played an important role in growth of India in terms of GDP. Though the decline in poverty can be seen in the past few years but the decline is not substantial specially the poor sector is still struggling to come out of it. The gap between rich and poor still exists because of capital intensive techniques being adopted from countries around the world, the labour class is getting affected due to this. The effect on employment is positive for service and manufacturing or secondary sector but the major cause of worry is the agriculture sector. Unemployment is increasing as thousands of thrown to streets. In India majority of population is still dependent on agriculture however the productive workforce is less, therefore making this sector poor. Negative impact on agriculture can be removed by good government policies and making optimal use of opportunities presented by globalisation. In general it can be concluded that, the overall effect of globalisation has positively affected India's growth.

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