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Labour Utilization in India in the Era of Globalisation: Problems, Prospects and Policy Perspectives

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ABSTRACT

Globalisation has unleashed unprecedented changes in the Indian economy, unlocking opportunities and posing challenges for labour. Though GDP growth has been sustained, employment creation has been slow, creating spectres of "jobless growth." The rise of multinational corporations, investment in labour-saving technologies and focus on capital-intensive production have resulted in job losses, pay differentials and informalisation. This article critically discusses the effect of globalisation on Indian labour utilisation through the lens of employment elasticity, sectoral changes, industrial relations, gender inequality and the contribution of skilled labour. It also discusses government policies, welfare schemes and structural labour market reforms. Based on secondary information, such as reports by the NSSO and earlier studies, the study points to the limitations of current policies and proposes how social security can be made more robust, skill development enhanced and labour rights balanced with economic competitiveness. The article ends on the note that an overarching, comprehensive labour policy framework is necessary to achieve productivity as well as protection in the era of globalisation.

Keywords: Globalisation, Indian Labour Market, Employment Elasticity, Labour Welfare, Informalisation, Industrial Relations, Social Security

Introduction

Globalisation has drastically transformed labour markets all over the world and India was not immune to the same. Those who supported liberalisation also believed that market opening would increase trade, increase investment and provide more employment opportunities (Chandrasekhar & Ghosh, 2002). Although India has in fact recorded greater growth rates since the post-reform period, growth has been capital-intensive as well as multinational corporate-led, focusing more on profit maximisation and labour-saving, thereby failing to generate sufficient employment opportunities to keep up with economic growth, resulting in structural imbalances. The Indian labor market today confronts urgent issues: has the liberalised system reestablished a "hire and fire" approach a la laissez-faire capitalism? Is the state abandoning its constitutional mandate to provide welfare and protection to workers? These queries highlight the increased exposure of the working class that has taken a beating most times during globalization.

Globalisation has gained momentum since the 1990s, which has been characterised by liberalization of trade, technological advances, reduction of tariffs and movement of capital. These forces have transformed economies through the elimination of conventional barriers, redesigning of product cycles and altering labour demand (Das, 2004). Globalisation has also introduced new concepts like universal human rights, standards of labour, empowerment and protection of women and children and hence issues relating to labour have moved into the center of policy discourse. The change has been spectacular in India too. While industries like communications and information technology have emerged in a rapid growth pace, they

are not manpower-intensive and hence contribute little to mass employment. At the same time, industries and agriculture, sectors which previously soaked up big portions of the labour pool, have experienced stagnant or adverse labour absorption. In addition, globalisation has promoted competition, compelling business enterprises to adopt labour-saving technologies. This has undermined the bargaining power of labour, destroyed social security measures and resulted in informalisation. While advantage has been taken by certain groups of workers, particularly skilled labour for IT and services, most are yet to be freed from underemployment, wage disparities and exclusion from welfare benefits.

Globalisation and the Indian Labour

The economic liberalization of India in the early 1990s opened up new avenues of trade, investment, and technology transfer. However, it also disturbed conventional labor relations, reshaping employment composition, quality and security. The shift from a state-led to market-driven economy reshaped industrial relations, weakened collective bargaining and resulted in a dualistic labor market with a minority of high-skilled employees benefiting while the majority were left uncertain. Examining how globalisation has affected Indian labour means looking at trends in employment, wage trends, gender dynamics and relations, and industrial relations.

Employment Growth and Elasticity:

One of the most important paradoxes of India's growth trajectory has been decreased employment elasticity of output. According to National Sample Survey Organisation (NSSO) estimates, labour participation dwindled to 1.3% annually over 1993–2000, compared to 2.4% over 1983–1994 (Aggarwal, 2004). Employment growth declined to 1.1% compared to 2.7% over the same period, while elasticity declined sharply from 0.52 to 0.16. This process has been commonly referred to as "jobless growth." Capital intensity has grown across industries, such as small-scale industry and services, lowering the requirement for labour (Bhattacharjee, 2006). As a result, while the growth of GDP has picked up pace, the potential of the economy to provide employment has declined, exacerbating economic and social inequalities.

Unemployment Rate:

Unemployment patterns show structural problems. From 1993–94 to 1999–2000, the unemployed rose from 20 million to 27 million, increasing the unemployment level from 6% to 7.3%. Rural women witnessed especially steep drops in labor force participation.

While cross-country comparisons indicate India's unemployment to be below that in certain Asian economies, the persistence of educated joblessness is a concern. Even though technically educated youth have experienced an improvement in joblessness, overall, the skills-employment mismatch continues to be acute (ILO, 2000).

State-wise Variations:

Indian labour markets also exhibit significant regional differences. Kerala has the highest unemployment rate (21%) consistently, whereas Himachal Pradesh is at the lower end (3%). Maharashtra, although below the national average, recorded a sharp increase in unemployment during the 1990s. These differences are due to contrasts in industrialisation, policy regimes and labour force characteristics (Hasan, Mitra, & Ramaswamy, 2003).

Sectoral Employment Shifts:

Globalisation has brought about a steady reorganisation of sectoral employment. Employment share of agriculture has remained static, with increasing employment in industry and services. Some dynamism in employment growth has been observed in sectors like construction, trade, transport and financial services, although commodity-producing industries have experienced declines in elasticity (Bagchi & Das, 2005).

This shift reflects world trends, yet the restricted absorptive capacity of high-growth service industries has excluded large-scale job creation. Therefore, while services have increased as a contribution to GDP, their capacity to create jobs on a mass scale continues to be circumscribed.

Casualisation and Quality of Employment:

Unlike alarms about extensive casualisation, the proportion of casual employees increased modestly between 1993–94 and 1999–2000. Actually, real wages of casual workers grew more quickly than in previous decades, with some improvement in conditions (Deshpande & Deshpande, 1998). Nevertheless, the virtual monopoly of the unorganised sector—providing over 90% of employment—pointing towards chronic vulnerability, job insecurity and weak social protection.

Skilled Labour and Wage Inequalities:

One of the most significant characteristics of the post-reform era has been the increasing call for skilled labor, particularly in information technology and allied industries. Exports of software and business process outsourcing (BPO) created new avenues, propelling productivity and wages for skilled workers (Aggarwal, 2002).

However, disparities have broadened. Wage equality between organised segments has eroded and contrasts between skilled and unskilled labour have sharpened. Most government sector enterprises have not updated wages since the early 1990s, representing stagnation in benefits for lower-level employees (National Commission on Labour, 2002).

Organised Employment:

The organized sector still employs only some 8% of India's labor force, with elasticity close to zero by the year 2000. Public sector undertakings, covering almost 70% of the organised employment, experienced downsizing in the 1990s as a result of fiscal weaknesses. Private sector employment, on the other hand, was more dynamic, reflecting how it responds to international economic situations (Nagaraj, 2004).

International Mobility of Labour:

Globalisation has accelerated international migration. Indian labour migration was once characterized by unskilled workers migrating to the Gulf and professionals migrating to developed nations. During the 1990s, the demand increased for skilled labour in services and IT-related industries. Remittances from Indians abroad—the largest diaspora remittances in the world—have been a major contributor to India's balance of payments (Rama, 2003a).

Women Labour Participation:

Globalisation has had a differential effect on women. Feminisation of the labour force is visible across the globe, but India has a contradiction. Rural women experienced declining numbers of participants, while urban women showed a limited pickup in short-term unorganised activities (Unni, 2001). Structural constraints, social customs and the lack of skill development schemes continue to limit women from being fully integrated into the labour force.

Industrial Relations in the Globalised Era:

Labour-management relations have been changed. Local bipartite structures are increasingly substituting for tripartite negotiations, with stress on consultation and consensus. Man-days lost through strikes fell considerably in the 1990s, while lockouts called by management increased (Jyoti & Sidhu, 2003). Employers have made use of workforce "rightsizing" through voluntary retirement schemes, changes in technology and restructuring, indicating a trend toward more flexible, market-driven industrial relation

Emerging Challenges and the Agenda of Action

Globalisation has redefined the terms of labour use in India, both threatening and offering opportunities. Perhaps the biggest challenge is educational achievement and the needs of the labour market not aligning. Just 6–8% of India's labour force can be considered skilled, compared with 60% or higher in most developed economies (Sharma, 2006). Without significant investment in vocational education, technical education and re-skilling, India stands to exclude a large share of its

workforce. The other urgent issue is the inclusion of women in the labour market. India's female labour force participation rate is only 18%, which is one of the lowest in the world, well behind other countries such as China (44%). Increasing women's educational opportunities, lowering gender-based discrimination and facilitating flexible labour market practices are the key steps towards narrowing this gap (Unni, 2001).

Child labor is another area of concern. Child labor has invited increased global attention and India has been under pressure to adhere to International Labour Organization (ILO) conventions. Poverty alleviation and quality education need to be the foundation of the policies to eliminate child labor. The informal sector also poses a policy challenge. Being the most dynamic and employment-intensive part, it is marred by poor working conditions, low incomes and restricted access to social security. Organisational strengthening of bodies like the Self-Employed Women's Association (SEWA) presents an option to improve incomes and work conditions in this sector (Jhabala, 1998).

Labour legislation also needs reform. India's regulatory system has in the past emphasised job security at the expense of flexibility. Though protective in tone, stringent labour laws deter companies from hiring more employees. For instance, the Industrial Disputes Act demands state government permission for retrenchment in companies with over 300 employees, de facto deterring formal employment (Anant et al., 2006). Labour law reform with the support of robust social safety nets like unemployment insurance is necessary to strike a balance between protection and flexibility.

Segmented Labour Markets

Indian labor markets are far from homogeneous. They are segmented by skill, sex, caste, region and the formal–informal divide. Similar qualification workers get different wages depending on the industry, which illustrates systemic inequalities (Villa, 1986). The perpetuation of segmentation results in unequal opportunities and restricted mobility. Independent workers, for example, are restricted by restricted access to capital and resources, driving wages down. Informal sector workers are exposed to insecure circumstances brought about by the lack of contracts, social security and collective bargaining. The dualistic nature of Indian labor markets is best illustrated by the presence of well-paid highly skilled IT professionals alongside poorly paid farm workers. Structural adjustment must correct these imbalances through increased access to education, credit channel development to self-employed workers and strengthening minimum wage coverage in all regions. Labour markets can only thereafter act as drivers of inclusive growth.

Government Policy and Labour Welfare

The Government of India has introduced a range of policies to take care of the labour welfare, ranging from schemes to provide employment to social security schemes. Schemes like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) have a protection facility by guaranteeing 100 days of wage employment in rural India. Similarly, programs such as the Employees' Provident Fund (EPF) and Employees' State Insurance (ESI) schemes ensure social security for segments of the organised workforce. However, these measures are inadequate to cover the vast unorganised sector, which employs over 90% of the working class. Policy measures on labour welfare suffer in implementation due to bureaucratic inefficiencies, lack of resources and ignorance among labourers. For instance, the National Renewal Fund, intended for retraining of labour and social security, were marred by poor utilisation and narrow coverage (Sharma, 2006). The hour calls for an integrated policy of labour welfare that unites formal and informal sectors, expands social protection and enhances institution mechanisms for enforcement. Policy arrangements must adapt too to address new issues such as gig and platform work, ensuring decent wages and benefits in the digital economy.

Opportunities and Challenges of Labour in India

The Indian labour market is beset with several challenges—unemployment, underemployment, wage inequality and informalisation. The disproportion between education and labour market demand aggravates the situation, leaving many educated young people jobless (Nagaraj, 2004). Women and other marginalised classes have additional problems on the basis of social norm and structural disadvantages. But the prospects are good if the correct reforms are undertaken. India's demographic dividend—a young workforce—can be a powerful ace if given the right training. Enhancing vocational

training, education industry linkage and fostering entrepreneurship can enhance labour absorption. Moreover, as the diffusion of digital technologies spreads, new opportunities in IT, e-commerce and renewable energy sectors can be leveraged for the creation of quality employment. Building strong trade unions, improving collective bargaining and ensuring effective means of resolving conflicts would also enhance labour welfare. International migration and remittances help to stabilize the economy, showcasing the potential of world integration with strong domestic policies.

Perspective Planning for Labour Welfare in India

India requires a future perspective planning approach for the solution of its labour issues. Planning must include:

1. Skill Development: Establish huge vocational training and continuous re-skilling programs as per global industry standards.
2. Gender Inclusivity: Promote policies for increased women workforce induction, e.g., maternity leave, child care facilities and flexible working hours.
3. Expansion of Social Security: Offer universal social security, health insurance, pension and unemployment benefits, to all workers with emphasis on those working in the informal economy.
4. Reforms in Labour Laws: Balance employer flexibility and worker protection by rationalising labour codes, reducing bureaucratic hurdles and making them actionable.
5. Support to Informal Sector Organisations: Promote cooperatives, self-help groups and labour organisations to raise incomes and improve working conditions in the informal economy.
6. Integration of Digital Economy: Regulate platform and gig work for decent compensation, job protection and social protection for new work arrangements.
7. Decentralised Industrial Relations: Foster bipartite and enterprise-level negotiations to foster cooperation and reduce industrial disputes.

These measures will not just increase productivity but will also encourage inclusive growth, social peace and fair utilization of labour in India.

Conclusion

The trajectory of globalisation in India has revealed a paradox: high economic growth has not been accompanied by proportionate job creation. Whilst high-skilled workers, particularly IT and service sector workers, have been beneficiaries, unskilled workers and those employed in the informal economy are left exposed to wage disparities and a lack of social protection. Regional inequalities, gender disparities and labour market segmentation compound the woes. Government policies and welfare schemes, though altruistic, often do not tackle the pervasive informal economy and are unable to keep pace with emerging employment patterns such as gig work. Labour laws, intended to protect workers, must be overhauled to strike a balance between flexibility and protection in a globalised world. In the coming times, a holistic framework for labour policy shall focus on skill upgradation, women empowerment and social security expansion. Establishing strong trade unions, reframing industrial relations and promoting organisations in the informal sector will add to the labour welfare. Through thoughtful planning and fair policies, India can propel its demographic dividend to become a driver of sustainable growth while upholding the rights and dignity of workers.

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