
Impact of Globalization on Trade and Employment

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Almost a decade ago, the effects of globalization on wealth distribution as well as jobs were largely benign. On an average, growing at a respectable rate of 2.5 percent, advanced economies had, in most of them, increasing breadth and variety of employment opportunities at various levels of education. But as these developing countries became grander (larger and richer), their economic structures changed as a response to the forces of comparative advantage. Today, the kind of high-value-added components, that were the exclusive purview of advanced economies, that the developing countries are increasingly producing sure looks to take them to a promising path. And this wouldn't have been possible without the collaboration of the developed economies. Globalization has surely created its impact.

IMPACT ON EMPLOYMENT

Globalization and employment relationship is of growing importance to policy makers in developing countries, but is difficult to analyse both theoretically and empirically. Globalization is a multi-faceted phenomenon, and each facet may have different effects on employment, varying by country, time, industry, policies and the like. However, it is not so new as some would have it.

The world has seen two waves of Globalization. The first wave began around the mid-19th century and ended with the beginning of the First World War at around year 1914. The second episode began in the aftermath of the Second World War and continues today. It comes in a huge package encompassing economic, social, technical, legal and policy changes, each with its own positives and negatives, making it difficult to separate the effects of globalization. It is argued theoretically that economic globalization improves human development through the development of production technology and employment generation. And indeed, both the globalization waves were driven by radical reductions in technical and policy barriers to international transactions.

The second wave of globalization marked itself with huge short-term capital flows driven by a furious pace of information exchange, thanks to the advancements in information technology. Foreign investment often (though not always) enters a country that has opened itself to international markets. This further leads to an increase in demand for local labor and hence higher wages. Therefore, it helped in intra-industry FDI among similar nations with a focus on manufacturing, services and outsourcing. *"It enhances employment and earnings in developing countries because of inflows of foreign investment or increases in the value of a developing country's export products"* says a journal.

The increasing outflows of FDI to low-wage economies driven by the attraction of lower costs are similar to that of increasing imports from the same economies. Low-skilled jobs therefore get "exported" to such low-wage countries through relocation, thereby leading also to a drop in demand for low-skilled workers in the industrialized countries and hence

reinforcing the effects of increasing import competition. Globalization also marked a voluminous intra-industry trade among similar nations driven by scale economies and product differentiation. In addition, transportation speed and communication costs fell drastically.

All the above factors caused a paradigm shift in the way nations communicated and saw each other. Countries today are seen as an opportunity to either help in supply of a service or create a market for a service. Both the above factors led to migration of resources from one country to another as well as migration and faster communication of ideas. And with faster communication of ideas, the pace of industry growth in the developing world increased causing an increase in the job markets. As a result, developing countries are now experiencing growth rates of 7-10 percent; 13 countries, including China, have grown by more than 7 percent per year for 25 years or more.

Marking a change in industrialization in developing as well as developed countries globalization has caused a restructuring in industrial processes and has increased polarisation in employment conditions and a growing differentiation in the workforce. Today, in their attempt to stay competitive companies, through increased flexibility in the production process, are creating “casualisation” of labour. This means an abundance of part-time workers, home workers, seasonal workers and subcontracted workers. Globalization is often equated with growing integration of national economies.

Moreover, by reducing poverty through employment, globalization has the potential to advance human development a fact supported by empirical evidence particularly from Southeast and East Asia. However, empirical evidence from the same region also indicates that globalization has increased vulnerability and insecurity. In India too, globalization has played a very significant role in terms of increasing employment as well as living standards of her citizens. The employment scenario in the country has drastically improved after the economic liberalization policies were implemented in the 1990s.

A deeper integration with the outside world also promises much, on the domestic front. According to trade theory, trade liberalisation, boosts employment by promoting labour-intensity in (export and domestic -oriented) activities. Liberalisation in investment too leads to larger inflows of capital, information, technology, skills and various services, in a form that lets them be deployed efficiently and instantaneously. Therefore, globalization is usually seen as the process of widening and deepening of inter-relationships in international trade, foreign investment and portfolio flows. It is being viewed as a rootless process of continuous migration of jobs to low-wage countries. Globalization has offered many employment benefits to developing countries.

IMPACT ON TRADE

Globalization results from increasing integration of trade, finance, people and ideas in one global marketplace. International trade and cross border investment flows are the main elements of this integration. International trade and globalization both are intertwined to each other because international trade is to a huge extent a consequence of globalization. In terms of trade, globalization can be referred to as increasingly borderless trade that develops

between countries and territories or countries and countries. This type of trade is highly helped by the removal or complete reduction of restrictions that come in the form of taxes and other things like import quotas. Globalization serves to take advantage of the opportunities and possibilities available through the cooperation between different nations.

The ease of transportation across international borders thereby reducing the transportation costs, facilitated by globalization, gives way to trade liberalization in the international markets and can be termed as one relationship between international trade and globalization. For example, thanks to globalization people today find it much easier to travel from one part of the world, even those that are very far apart, to the other in pursuit of business opportunities and in order to sell or buy goods and services.

Thanks to globalization, there is a better access to international division of labor, international specialization, technologies, inter-cultural exchange and therefore consumers are able to enjoy a wider variety of products at much lower prices. At the same time however, international trade brings high risks. In the past decade, on the expense of developing countries, international trade boosted economic growth. While the prices of manufactured goods have remained stagnant to certain extent, that of primary goods, which make up the biggest share of developing country exports, have fallen.

Without a doubt, there has been an increase in unemployment of the low skilled in most developed countries in the past two decades. Moreover, there is also some evidence in few developing countries of a big class of low skilled, usually uneducated, workers employed at very low wages. However, this may not exclusively be attributed to an excessive globalization of trade. The industries of both developing and developed countries must adapt as the traded products change, with less skill intensive ones from developing economies and more skill-intensive exports expanding from developed economies. That change in production methodologies can incur major changes in both investment and worker skills. It is really unfortunate and adds pressure to the government of the country when workers because of lack of the ability or because they are too old to change or having almost no means to learn new skills, lose their jobs. Trade unions should play their active role to help workers and ensure that social entitlements are fulfilled and are maintained at an adequate level.

The two most recent episodes of globalization were characterized by increased integration in trade, capital flows and movement of labour. In both these episodes of globalization, rapid trade and output growth went together with major shifts in the relative size of the economies involved. One valuable lesson from history is that globalization has not been a smooth process. It has often been marked by periods of accelerated integration (as observed in the 19th century and in the second half of the 20th century) and by periods of dramatic reversals (as in the inter-war period) sometimes with costly consequences.

Moreover, many of today's developing countries have comparative advantage in agriculture, and integration into international markets increase the price of the export product to international levels. Thus, trade liberalization may increase employment and wages in these agricultural export sectors.

CONCLUSION

Thus, it can be seen that Globalization has made both positive and negative impacts in trade and unemployment. The positive effects however are much higher than the negative and hence globalization can be taken as a huge contributor to the progress of many developing nations. The cumulative effect of Globalization in the years to come may cause the world to change drastically.

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