



## **GLOBALIZATION AND INEQUALITY: A STUDY WITH SPECIAL REFERENCE TO POVERTY AND UNEMPLOYMENT IN INDIA**

**J. RAMASAMY\*; PROF. P. MOORTHY\*\***

\*Ph.D Research Scholar, Gandian Studies, Department of Politics and International Studies,  
Pondicherry University, Pondicherry-605014, India.

\*\*Centre Head, Gandian Studies, Department of Politics and International Studies, Pondicherry  
University, Pondicherry-605014, India.

### **ABSTRACT**

*Globalization is defined as the enlightened movements of goods, services and capital across the global level. Also it is a notion that globalization is a contentious process by which the western market economies have effectively spread across the globe. In recent years, theoretical research on the link between globalization and world inequality has been passionate. It is evidenced that the total income of the poorest half of humanity is less than the worth of just 475 billionaires.<sup>1</sup> In 1990 the richest 20 percent of the world population received 92 percent of portfolio capital gross inflows; the poorest 20 percent received 0.1 percent. The richest 20 percent of the world population received 79 percent of foreign direct investment (FDI); the poorest 20 percent received 0.7 percent. Altogether, the richest 20 percent of the world population received 88 percent of private capital gross inflows; the poorest 20 percent received 1 percent.<sup>2</sup>*

*There is a comprehensive body of literature on the historical perspective and a descriptive nature of globalization and its impacts on for instance prevailing of inequality among nations and it has created a wide gap between rich and poor. Economic growth has often been given priority as an anti-poverty measure. But, the negative link between growth and inequality has been ignored by policymakers.*

<sup>1</sup> William Easterly, John Williamson and Abhijit V. Banerjee(2004): *Channels from Globalization to Inequality: Productivity World versus Factor World*, The Brookings Institution Stable, New York, p39

<sup>2</sup> William Easterly, John Williamson and Abhijit V. Banerjee(2004): *Channels from Globalization to Inequality: Productivity World versus Factor World*, The Brookings Institution Stable, New York, p54

*Rising inequality threatens growth and poverty reduction and unemployment problems targets calling for more distributionally favorable pro-growth policies. Unemployment problem is a great graveyard to India's development. There are powerful grounds for believing that unemployment is leading many social evils as well as individual's psychological and mental problems. Anxiety, depression, dissatisfaction with one's present life, experienced strain, negative self-esteem, hopelessness regarding the future and other negative emotional states, all measured by scales with proven reliability and validity, have again and again been demonstrated by cross-sectional studies to be higher in groups of unemployed people than in matched groups of employed people. Compared with employed people, unemployed people also report greater social isolation and inactivity. Against this background this study tries to analyze the impact factor of globalization on society in terms of unemployment, social inequality and poverty.*

---

## INTRODUCTION

### POVERTY AND UN EMPLOYMENT PROBLEMS IN INDIA IN THE ERA OF GLOBALIZATION

Unemployment refers that anyone who is unable and willing to work but does not find work is involuntary unemployed. There are different types of unemployment problems prevailing in India. When looking at the overall macro economy, several types of unemployment have been identified, Frictional unemployment, Structural unemployment, Natural rate of unemployment and Demand deficient unemployment. Eleventh Five Year Plan strategizes rapid growth in employment opportunities along with improvement in the quality of employment. But the unemployment rate in India is estimated at 9.4 percent or 94 persons out of 1000 persons in the labor force for the fixed reference period of financial year 2009-10.<sup>3</sup> Also it is evidenced that Agriculture sector is projected to generate no additional employment during the Eleventh Plan period. Employment in manufacturing is however expected to grow at 4 per cent while construction and transport and communication are expected to grow at around 8.2 per cent and 7.6 per cent, respectively. The projected increase in total labor force during 11<sup>th</sup> five year Plan is 45 million. As against this, 58 million employment opportunities are targeted to be created during the Eleventh Plan. The sex ratio of the labor force shows that there are 279 females per 1000 males in the labor force at overall level. Within the employed population, self employment is the dominant category. Out of 1000 persons employed, 439 persons are self employed, 168 persons are regular wage/salaried and the rest 393 persons are employed as casual labor at the overall level.

---

<sup>3</sup> Report on Employment & Unemployment Survey (2009-10), Government of India, Ministry of Labor & Employment Labor Bureau

**TABLE-1**  
**TENDULKAR COMMITTEE REPORT ON UNEMPLOYMENT**

Year	Un employment(%)	
	Rural	Urban
1993-94	1.2	4.6
1999-00	1.5	4.8

Source: Piya Mahtaney(2007)<sup>4</sup>

After the implementation of new economic policy the progressive thinkers and the economist thought that there will be degradation in unemployment problems, but in reality it is entirely different. The table shows that there is a gradual development of unemployment problems in India during the globalization phase.

The duration of unemployment has increased substantially during the globalization period and long-term unemployment is a big problem to India's development. India as a nation is faced with massive problem of unemployment. Also there has been a steady rise in the unemployed rates after 1990's. Most of the person who are studying are not finding job. Due to Indian economy is low the unemployment still on India. A particular problem for the Indian economy has been the agricultural sector which has a high percentage of the workforce but is struggling to create sufficient jobs. The main cause of unemployment is over population and In India population is growing faster than other nations. The biggest factor in helping reduce unemployment in India is probably the strong economic growth. Therefore to reduce unemployment it is necessary for the government to improve the quality of education and training, especially in remote areas.

**TABLE-2**  
**EMPLOYMENT SHARE OF MAJOR SECTORS**

Year	Un employment (%)	
	1993-94	1999-00
Agriculture	60.38	56.70
Industry	15.82	17.56
Services	23.80	25.74

Source: Economic Surveys Report (Various Surveys)

Tendulkar report evidenced that Agriculture absorbs 62 per cent of the labor force in India. When the sector contributes only 8 per cent to GDP growth, then obviously growth is not

<sup>4</sup> ibid

equitable. On the other hand, service sector absorbs 10 per cent of the labor force and contributes 74 to the growth of GDP. Thus one may conclude that growth process in India is not favorable to agricultural sector, which is the main reason behind high poverty and un employment rate. Therefore it is important to examine the factors behind poor growth rate in agriculture in India. The decline in rural employment can be directly attributed to the stagnation of agricultural employment during 1990's.

**TABLE-3****EMPLOYMENT IN AGRICULTURAL SECTOR**

	<b>1983</b>	<b>1987-88</b>	<b>1993-94</b>	<b>1999-00</b>
<b>Employment(Millions)</b>	151.35	163.83	190.72	190.94
<b>Annual Growth rate (%)</b>	1.77	2.57	2.23	0.02

Source: Government of India, Economic Survey (Various Years)

The data evidenced that, this was much lower than the population growth rate over the same period (1.67 per cent). The employment level was not increased as much equal to the population level. This share remained static over a long period despite the fact that the structure of the GDP underwent a transformation resulting in the share of agriculture in GDP declining consistently over the years. There are many reasons responsible for poor agriculture in India, here there are few items be displayed. Gross capital formation in agriculture was 17.7 per cent of total formation in India in 1950-51. This figure is consistently declining and has become 6.5 per cent in 2007-08.<sup>5</sup>

Net irrigated area to NET sown areas is 40.01 in India and only 37.34 of the total utilizable ground water is utilized. Only 40 per cent of the agriculture dependant households know about better agricultural practices.<sup>6</sup> Majority of them are unaware with the recent technological advancement in the agricultural sector instead of that they are using the traditional method of harvesting.

Many regions of India are still dependant on rain water for agriculture. Natural calamities still plays a catastrophic role in running the farm output. Distress sale of farm output also act as an impediment towards further increasing farm production. It is concluded that thus, unless and until the agriculture sector is given importance in the planning process in India, growth cannot be equitable shared by the people and inclusive growth will remain as a dream. In order to remove all the social evils, planners must take these factors into account

Recently India's educated youths are facing some serious issues like educated unemployment and underemployment. Currently, in India, we have fairly low inflation but unemployment is high. In particular, educated unemployment is very high. It is around 20 % among graduates. One suspects that political instability in the country, lack of entrepreneurship,

<sup>5</sup> Dilip Kumar Panda(2010): India's Economic Growth: How can it be made equitable?, World Focus, Vol XXXI No 5, May , New Delhi, p172

<sup>6</sup> Ibid p172

lack of quality education and quality students, for instance is the result of excessive unemployment.<sup>7</sup>

**TABLE-4**  
**TRENDS IN EMPLOYMENT IN ORGANISED AND UNORGANISED SECTORS IN INDIA**  
**(IN MILLIONS)**

Year	Organised	Unorganised	Total Workforce
1983	24.01 (7.93%)	278.74 (92.07%)	302.75
1987-1988	25.71 (7.93%)	298.58 (92.07%)	324.27
1993-1994	27.37 (7.31%)	347.08 (92.69%)	374.45
1999-2000	28.11 (7.08%)	368.89 (92.91%)	397.00
2005-2006	26.46 (7.54%)	358.45 (92.46%)	384.91

Source: Ministry of Labor and Employment, Director General of Employment and Training and Economic Survey (various years)

The percentage of unorganized worker is more than organized worker. The extent of unorganized worker is significantly high among agricultural workers, building and other construction workers. Unorganized workers are observed to be large in numbers, suffering from series of disproportionate seasonality of employment scattered and fragmented work place, poor in working condition, and lack of attention from the trade unions. As a large number of labor forces is pushed into organized category of workers, the excess labor supply creates disequilibrium or imbalance in the market that leads to several adjustments in the un organized labor economy. The surplus or excess of labor supply into the unorganized category leads to partial or casual employment at low wages and without job or social security provisions. It is a general factor that casual laborers are highly exploited in terms of assurance of employment, contract procedure, paid leave, provident fund, and pension, medical and other benefits and notice for termination. Due to the globalization process the unorganized workers are put in the highly disadvantageous position. Insecurities have risen even in the organized formal sector. Study done by National Commission for Enterprises in the Unorganised Sector (NCEUS) reveals that there are 25% of Indians, or 236 million people, lived on less than 20 rupees per day with most working in "informal labor sector with no job or social security, living in abject poverty.

The massiveness of labor legislation intentionally excludes the informal sectors workers problems. It is clearly evidenced that, the Factories Act, 1948, which covers working conditions, health and safety, basic amenities like toilets, working hours, prohibition of child labor and night work for women, workplace crèches, and much more, does not apply to informal workers; similarly the Employees' State Insurance Act, 1948, providing for accident compensation and sickness and maternity benefits, does not apply to workplaces with less than twenty workers without power. This provides employers with a variety of ways to escape these laws. Splitting

<sup>7</sup> Accessed from <http://www.freshersworld.com/content/unemployment-problem-india> on 18th August 2011

up an establishment into smaller units which are supposedly independent of one another, creating artificial breaks in employment so that workers never become permanent, employing large numbers of contract workers who are deemed to be employees of labor contractors and therefore do not appear on the payroll of the company, or subcontracting production to smaller workplaces. The Payment of Bonus Act, 1965, Employees' Provident Fund and Miscellaneous Provision Act, 1972 and Payment of Gratuity Act, 1972, are likewise not applicable to informal workers.

The chronic insecurity of informal workers allows employers to impose extremely hazardous working conditions on them. The construction industry is the second largest employer in the country, employing about thirty-two million mainly informal workers. The working conditions are deplorable. Whether it is a government or private undertaking, the employers are oblivious to the hazards involved. Consequently, the number of crippling and fatal accidents is extremely high. Falls, being crushed under collapsing structures, getting buried under mud and electrocution are some of the causes of deaths and serious injuries.<sup>8</sup>

The miserable plight of workers, mostly migrant women, in the export-oriented fish-processing industry. The workers are virtually kept in captivity, generally at the workplace itself, forced to work long hours in unhygienic conditions, denied minimum wages, and subjected to sexual harassment and various forms of coercion. Although the industry falls in the organized sector, its workers fall in the category of informal labor due to their migrant status, although there is no logical reason why this makes it impossible for labor laws to apply to them<sup>9</sup>. The extreme poverty and insecurity of employment becomes a means by which employers can enforce forms of bondage, advancing sums of money to workers which they and in some cases their children have to repay, sometimes over a period of several years. The existence of this form of forced labor is widespread in the informal sector, especially but not exclusively in rural areas.

The GEDA study (Gesundheit in Deutschland Aktuell, or Current Health in Germany) was carried out in 2008-2009 by the Robert Koch Institute. The results showed that unemployed people between the ages of 30 and 59 years are especially often affected by physical, emotional, and functional impairments such as sleep disorders, anxiety disorders, and substance addictions. As a result, the unemployed make more use of the health care system.<sup>10</sup> The health consequences of unemployment result from loss of income, loss of social contacts in the workplace, or loss of social reputation. Unemployed men and women who are supported by their partners, family members, or friends are less frequently affected by these complaints

It can be argued that the benefits of economic reforms on the Indian economy would get achieved, only if the negative impacts on employment are settled or neutralized. Hence along with globalization and restructuring the economy efforts should be initiated to absorb the potential labor force and provide required security for work, income and life so that they would

---

<sup>8</sup> Menon and Sindhu(1999): 'Spectre of Death Haunts Construction Industry', Labor File, Vol 5 Numbers 1-4, Jan-April, p20

<sup>9</sup> Rohini Hensman(2001): The Impact of Globalisation on Employment in India and Responses from the Formal and Informal Sectors ,CLARA Working Paper, No. 15, Amsterdam,p8

<sup>10</sup> Times of India, 2<sup>nd</sup> March 2011

also benefit in that process on the one hand, and on the other, contribute towards the success of globalization.<sup>11</sup>

Hunger and food related problems are the main root cause for the health problems. The economic survey estimated that proportion of government Spending on food has reduced from 73 per cent over 1972-73 to 55 percent over 2004-05. Ten per cent of India's rural population lives on just Rs.9 per day and 10 percent of Indians urban populations subsist on a slightly high Rs.13 per day. Parthapratim Pal highlights that food consumption decline from 476 gm per day in 1990 and 418 gm in 2001. While aggregate calorific consumption per capita declined from just over 2200 calorie per day in 1987-88 to around 2150 in 1999-2000

**TABLE-5**

**TRENDS IN PUBLIC EXPENDITURE ON HEALTH IN SOUTH ASIAN COUNTRIES**

Country	Expenditure- Year wise(% GDP)	
	1990	2001
India	0.9	0.9
Sri Lanka	1.5	1.8
Maldives	3.6	5.6
Bangladesh	0.7	1.5
Bhutan	1.7	3.6

Source: Piya Mahtaney(2007)<sup>12</sup>

However India is foremost in the expenditure of economic power in the defense sector than all the nations, but the above table shows that there is a poor performance by public expenditure on health services. One of the main reasons behind the poor state health care facilities in India and the high health related inequalities across the state is the very low level of public health expenditure. Also the another research revealed that India's performance in a number of health related development indicators has been worse than sub Saharan Africa's in nutrition related indicators. The improvements have not been uniform throughout the country. However health services are much better in urban areas and there are differences in the population's health across different regions.<sup>13</sup> World Bank data suggest that about 53 per cent of children are undernourished and proportions of pregnant women with anaemia is a high as 88 Percent

<sup>11</sup> Dhas, Albert Christopher and Helen(2008): Impact of Globalisation and Economic reforms on Employment in India, MPRA paper No.9597, Madurai

<sup>12</sup> Piya Mahtaney(2007): india, China and Globalisation, The Emerging Superpowers and the Future of Economic Development, Palgrave Macmillan, Newyork,p38

<sup>13</sup> Parthapratim Pal and Jayati Ghosh(2007): In Equality in India A survey of Recent Trends, DESA working Paper No.45, New York,p14

Tendulkar committee estimates that 41 per cent of the rural population does not have per capita income of Rs. 446.68 per month at 2004-05 prices. In urban areas 25 per cent of the population does not have per capita monthly income of Rs.578.8. this shows the outcome of the distorted growth path, what India has achieved in recent years. By 2004-5 nearly two-thirds of urban persons were in poverty, unable to spend enough to obtain even a modest nutrition standard of 2100 calories energy daily while the rural population similarly was not able to afford the official rural nutrition norm of 2400 calories and the poverty had reached 87 percent, the highest ever in three decades. Since some people think 2400 calories is 'too high' for a rural norm even though it is the official norm, we can consider also 2200 calories: 70 percent of rural persons were unable to reach this level compared to 59 percent in 1993-4, so poverty whatever the norm applied, has risen sharply. The official Planning Commission poverty estimates using the same consumption spending data however were very low, only 28.3 per cent rural and 25.7 per cent urban in 2004-5. The public was not informed that the Commission had quietly abandoned its own declared nutrition norms long ago in actual practice, and its low poverty estimates were possible only by taking such unrealistically low 'poverty lines' that the nutritional level it permitted by 2004-5 was only 1820 calories rural and 1795 calories urban, far below its own stated norms.

### **GLOBALIZATION AND INEQUALITIES**

In the globalised era the trends in inequality, poverty, and well being in India affect global trends in inequality and poverty simply because of the country's large population size and the large share of its population below the poverty line.<sup>14</sup> pattern of India's growth in the 1990s stimulated by liberalization exacerbated rural-urban, regional and sectoral inequalities. These inequalities affect people living in the undeveloped parts and sectors most directly.<sup>15</sup> Although globalization has led to the economic development in the country to some extent, it has not really helped to minimize income inequalities across the country. A recent study reveals that lots of people across the country still live below the poverty line and their standard of living has gone down considerably. In fact, the poverty level in India is much more than that of China. One of the main causes of poverty in India is income inequality. Liberalization on wages and on wage inequality has tended to increase economic insecurity in the underdeveloped regions and among poor and unskilled people. Liberalization and attendant inequalities increase the costs associated with moving out of poverty or low income, from backward regions of the country and from agriculture to services. Recent surveys have shown that the top 10% of the income groups share around 33% of the total income of the country. Even after globalization and economic progress, around a quarter of the population of the country has a earning less than the minimum level of \$0.40 per day.<sup>16</sup>

India is a country of multiple differences and persistent inequalities. India's multilayered diversity and cultural heterogeneity creates a potential for different axes of inequalities religion,

---

<sup>14</sup> Aseema Sinha, Globalization, Rising Inequality, and New Insecurities in India, Accessed from <http://www.apsanet.org/imgtest/TaskForceDiffIneqDevSinha.pdf> on 18 August 2011.

<sup>15</sup> Ibid.

<sup>16</sup> Accessed from <http://business.mapsofindia.com/globalization/income-inequalities-regional-disparities-india.html> on 18 August 2011

caste, income, gender, age, tribe, and region. India is home to people from five major religions: Hinduism, Islam, Christianity, Sikhism, and Buddhism. Numerous linguistic communities, a significant gender gap in life-chances, education, and income, a large Indigenous population and caste based inequalities. India is not only facing inequality of economic condition but also in attaining opportunity and of elite status. Liberalization has affected wages and wage inequalities directly. Inequalities seem to have risen between occupation groups. Real agricultural wages have grown at 2.5 percent or so in the 1990s, while public sector salaries have grown at almost 5 percent per year during the same period.<sup>17</sup> In the organized manufacturing sector, liberalization has been associated with rising wage inequality between skilled and unskilled workers. This rise in the wage gap between skilled and unskilled workers directly contributes to rising income inequalities. This gap maps onto the rising gap between the service, manufacturing and agriculture sectors of the economy

It's likely to argue that regional inequality is not a problem in itself as some level of quarrel inequality is universal in all countries; normal processes of development do create divergent spatial patterns. It is evidenced that there is a wide disparity among all the states in India in the development process. According to 2001 census the percentage of literacy people in Kerala is 91, but in the status of Bihar is worse ie.48 per cent. NCAER estimates that Proportion of Poor in Kerala is 15.9 per cent but in Bihar 89 per cent. Contribution to overall poverty ratio by UP is 21.3 per cent and by Goa is 0.0 per cent. Life expectancy level in Kerala is the average year of 73.5 and in Madhya Pradesh 56.4.

**TABLE-6**  
**SIZE DISTRIBUTION OF OWNERSHIP HOLDING**

	Scheduled Castes(%)		Others(%)	
	1982	1992	1982	1992
Landless	12.61	13.34	10.18	9.85
Marginal	72.41	72.91	52.2	53.95
Small	8.4	7.85	16.09	13.58
Semi-medium	4.52	3.86	12.05	10.08
Medium	1.8	1.83	7.66	11.48
Large	0.26	0.21	1.82	1.06
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: NSS (1982,1992) Landholding Survey, Delhi: CSO.

The data evidenced that however the ST and SC groups had a higher proportion in numbers but they are not in a position to afford the permanent land for them. Also it clears that other caste peoples are holding large amount of land after 1990s. Professor Thangaraj, also of the MIDS, notes that data from the Population Census of 1991 and the Agricultural Census of 1990-

<sup>17</sup> Deaton, Angus, and Jean Dreze(2002): "Poverty and Inequality in India." *Economic and Political Weekly*, September 7 p3729

91 show that while Dalits accounted for 19.18 per cent of the State's population, their share of area operated was only 7.1 per cent.<sup>18</sup>

## CONCLUSION

It should be noted that since independence, there are so many programmes launched by government of India for the upliftment of the rural poor, but indeed the result is very bleak and discouraging. The poor rural masses are not benefitted by rural employment programme properly or not participated vigorously. Semwal an eminent rural development specialist emphasized that the government department always try to fulfill their target at the end of the year or at the closing month of a financial year rather by not working throughout the year. These all are the lacuna from government side as the all programmes are target oriented not development oriented. It recommends government employee to be accountable for the respective projects as well as to the peoples.

Through this study it is acknowledged that unemployed people are not a separate community group. They are the community, and experience the same health problems as other members of the community. But they may have additional health problems because of unemployment and associated poverty. There is a need to improve the health and associated care for individuals and families that are disadvantaged through unemployment. The government need for initiatives to take place which combat the health effects of unemployment and poverty. Initially this could be best achieved through improved professional training and joint work using the skills and expertise of unemployed people.

According to latest report by NASSCOM only 25 % engineering graduates in India are employable, this is because of poor quality of education in engineering colleges. Government should take some steps to improve the quality of education in Indian colleges. Also the syllabus should be made par to the industry standards. Bad education system is hurting the Indian economy as well as the social systems. University and Colleges are playing a very vital role in making students. If colleges provide quality education, the scenario would be better. There are many private and old government colleges which fail to do this and hence provide a less skilled graduate. Unless otherwise enhancing the quality of education the un employment problem as well as the poverty will not be eliminated from the society, merely opening of more private engineering colleges and other professional colleges unemployment problems will not be overruled efficiently.

The present condition of farmers is not good due to the less profit earned through the agro based business which covers the significant part of their regular life. If the marketing facilities are improved and problems in market are solved then the farmers will get more benefit and also be able to improve their socio- economic conditions. For this purpose a systematic strategy should be prepared.

---

<sup>18</sup> Venkatesh Athreya R. Chandra (2000): *Dalits and Land Issues, Frontline*, Volume 17 - Issue 12, June 10 - 23

Agricultural sector plays a major role in unemployment problems in India. So the farmers need proper knowledge, information, agricultural equipments, training for better marketing facilities etc. For this government should come forward to help them.

“Without food no one can live and without farmer no food material with production”

Labor intensive activity for generating additional gainful job opportunities for the 12<sup>th</sup> five year plan.

- Agriculture & allied sectors.
- Greening the country through Agro Forestry
- Energy Plantation for Biomass power Generation.
- Rural Sectors and Small and medium enterprises(SMEs).
- Education and Literacy.
- Employment through ICT Development.
- Health, Family and Child Welfare.