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GLOBALIZATION: THE IMPACT OF MNCS ON HUMAN RESOURCE

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Globalization: The Impact of MNCs on Human Resources

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Abstract – Globalization is the term used to describe, “The integration of the world economy through the expansion of trade, investment and financial flows, underpinned by the revolution in information and communications technology”. New technologies have made it possible for money, goods, people, information and services to move quickly and efficiently around the world. Companies can make and sell products anywhere in the world, and they can have different parts of their company located in different parts of the world. Thus, the process of globalization is inevitable, flowing naturally from advances in communications, transportation, and other technological changes.

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Globalization has thrown multiple challenges and has given shape to new situations which require special attention. Issues including economic disparity, shifting social norms, integrating multicultural concerns, and depleted domestic workforces are among the priorities to be addressed. The three important components of globalization and free trade regime are deregulation, market liberalization especially of the capital, and privatizations and disinvestments of state-owned enterprises. Human resource has received battering from the management perspective and got stressed which lead to intense competition for human capital. This is perhaps the most significant impact of globalization on human resource management. Mergers and acquisitions, especially by the MNCs, and the consequent downsizing have, whenever not implemented carefully, led to deteriorating employment, working and living conditions across the globe. Globalization has proved to be a bane for the employees in particular due to closure of sick & unviable units in the developing world. Closure of the enterprises has added humongous working population in the unemployed category, thus increased the numbers of global poor. The coming of MNCs has had a significant impact on the prevailing economic scenario in India. But the most important of these can be seen on the employment and labor conditions. According to 2000 figures both the public sector and the private sector were seriously affected. The total employment in the public sector came down for the fourth year in succession: from 19.56 million in 1996 to 19.31 million in the year 2000. In the initial stage of globalization the decline in employment in the public sector was very insignificant whereas in the private sector the employment grew at a very slow pace. The employment decline in public was at 0.03% and employment in private sector grew at 1.87%. It is noteworthy that this figure relates to organized sector which is very small in size and number and the

unorganized sector has a large base and canvas. The unorganized sector mostly consists of unskilled workers. Wherever the number of skilled worker is more the employees do not suffer joblessness, it is necessary to mention that joblessness as a phenomenon is not confined to India only, it has become a global phenomenon because of modernization, liberalization & globalization which has necessitated churning of the whole process. It has been observed that countries with higher and better skills have survived and adjusted themselves to take up the challenges thrown by globalization.

The 21st century belongs to those who have skills and knowledge. Skill level and work force quality will increasingly provide the cutting edge in successfully competing in the global village.

The following aspects can elaborate the impact of MNCs entering the India on the Indian labor scene: -

1. Employment Levels - In both the public and private sectors, employment in industry has substantially declined, especially since the entry of MNCs (as they concentrated on increasing productivity). The trend in most industries is to reduce permanent employment and to use more contracts, temporary and casual workers.
2. Working hours- The work culture is the most important determinant factor and the MNCs have introduced new work culture in India, such as the concept of flextime which is concept which can be described as employee-friendly policy, allowing the employees to choose different start and end times. But many companies identify core hours during which the employee has to be

present. Flextime also helps avoid stressful rush hours and is a welcome relief to parents who are confronting with childcare and problems particularly related to woman being made to discharge responsibility at the work place and back home. The flextime has certainly helped to overcome the said problem.

It has also been observed that due to efficient utilization of time, the idle time of worker is practically negligible. This has led to an increase in productivity of the otherwise inefficient Indian labor.

3. **The wage slab** - The wages doled out by the MNCs are in sync with the effort put in by the employees. Besides the basic wages given to them the motivation in the form of incentives has led to job satisfaction amongst the laborers. This is in stark contrast to the wages and incentives provided by the PSUs. It is seen that for years and years in public sector the human resource department does not bring in or introduce new policies for employees in so far as incentive and motivation to work are concerned. Also, the wage differential has widened to a considerable extent between the public and the private sectors. As a result, it is also observed that the rate of absenteeism in MNCs is radically lower than that in PSUs.
4. **Skills** - With technology upgradation it has been possible for workers to work with greater precision and at higher speed than with conventional machines. Apart from this the workers are multi-skilled i.e. trained to perform multiple tasks, therefore reducing eliminating overtime and idle time. The MNC's impart regular training programs to ensure that their employees are aware of the latest trends. Besides, this also ensures enhancement of efficiency in production.
5. **Nature of Job** - The MNC's maintain clean and hygienic working conditions. The facility provided to the workers is highly conducive to their better performance. The MNC's pay special attention towards the safety of the workers, thereby, minimizing the number of accidents. The number of injuries taking place in industries declined in India from 127454 in 1990 to 44097 in 1994.
6. **Hire and Fire Policies** - The MNC's follow stringent measures for efficiency levels in their quality. If an employee has not been able to achieve the desired standards in given time period, the company resorts to hire and fire policies. This has resulted in tremendous job insecurity. However this policy is highly debated in the Indian context.

7. **Migration** - With the advent of the MNCs there has been a considerable outflow of Indian skilled workforce. This is mainly due to the fact that the Indian skilled workforce is relatively cheaper as compared to the other nations of the world.
8. **Trade Union**- MNCs usually have labor participation in Management. This helps in addressing the grievances of the laborers. At the same time, this has also reduced the importance of the trade unions.
9. **Rural Areas** - MNCs have had a less impact on the rural areas, as they have concentrated on the urban areas. This is one of the major reasons of wide disparity in incomes between the rural and urban regions.
10. **Shift from Agriculture to Industries**-As a result of better remunerations of industrial workers and minimal impact of MNCs on agriculture, there was a decline in the absolute number of workers involved in agriculture.

With the entry of Multinational companies, there have been lots of merits and demerits associated with the human resources. Large sections of work force throughout the world have experienced unemployment, poverty and inequality and are being faced with unprecedented competition. The harsh policies of hire and fire, stress on capital-intensive techniques, and tremendous automation leading to retrenchment of workers, etc. have all been detrimental for the Indian economy. On the other hand, the Indian economy has benefited on the technology upfront, better utilization of resources and also efficiency in production has increased.

Having analyzed these pros and cons, we see that the overall impact of MNCs on Indian Labor scene has not been a positive one. This is the prime reason why the talks of 'economic liberalization' and 'second generation reforms' fail to excite many people. However, we cannot overlook the fact that it has made the otherwise inefficient labor more productive and efficient, improved the working conditions and the standard of living of the workers employed in the MNCs.

In the end I would like to conclude that the humanizing of the whole process of globalization would require steps in many directions. The emphasis on social priorities though has come into play but more is required to be done on the social parameters. Social security such as education, healthcare, housing, retrenchment benefits, training programs for the both male and female workers and their offspring should be integrated with human resource policies. The emphasis on growth maximization should be blended with employment maximization and social justice. This requires a vigorous pursuit of an active labor market policy. The various international institutions like IMF,

World Bank etc. should effectively and visibly involve civil society in their policy formulations and monitoring implementation. Appropriate measures to mainstream the marginalized and vulnerable section of the society need to be adopted. There should be a special focus on women and the migrant workers [unorganized sector]. The onslaught of globalization, the surging might of MNCs and the indifferent attitude of many governments can only be effectively tackled by a united effort on part of all the stakeholders, i.e. the government, the working class, the corporate sector and the MNCs.

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