

# WORK, WORK BEHAVIOR, WORK ENVIRONMENT, WORK ETHICS AND WORK CULTURE

## Unit Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Basic concepts- Work
- 1.3 Work Behaviour
- 1.4 Work environment
- 1.5 Check your progress
- 1.6 Work ethics
- 1.7 Work culture
- 1.8 Check your progress
- 1.9 Let us sum up
- 1.10 Questions
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## 1.0 OBJECTIVES

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- To understand the basic concepts of work, work environment, work behaviour, work ethics and work culture.
- To acquaint students with varieties of work.
- To understand the factors leading to good work environment that has effect on workers' behaviour and performance.
- To understand the various organizational cultures.

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## 1.1 INTRODUCTION

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In the present scenario industries have undergone changes with the introduction of machines, increased automation, computerisation, sub-contracting and outsourcing. In this changing scenario, it becomes important for us to understand the changing structure of industry, impact on workers.

Sociology of work is an area of Sociology which is interested to know the present situation of work and work environment. The study of work, industry and economic institutions is of interest to sociologists as the institution of economy influences other parts of the society as well. It is concerned with the changing needs of the industries and its impact on the present generation. It is a new development in the field of industry to study the nature of new job opportunities, impact of globalisation and requirements of workers in terms of new schemes. Sociological principles are applied to the study of economic structure, changes in the structures. Sociology of work can be defined as a systematic study of work- and work-

related issues in relation to the industry under the new conditions and changing patterns of relationships in the new context like globalization.

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## 1.2 BASIC CONCEPTS WORK

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Work is a universal phenomenon defined as an expenditure of energy. Work occupies a central part of our lives and gives meaning to life. The Encyclopedia of Social Sciences defines work as an economically useful activity. Characteristics of work includes money, variety, personal identity, self-esteem and developing social relations and contacts. Work is engaging in productive activity that produces something of value like goods and services with expectation of reward or remuneration. Work gives the individual an identity and improves self-esteem. It fulfills the individual's sense of belonging. Work can be paid or unpaid, regular or part time, contractual or casual.

### Varieties of work:

- 1) **Professional work:** It is the most prestigious and most visible and growing segment of the labour force in the society.
- 2) **Managerial work:** It consists of high status and high-power occupational group comprising executives, managers, officials and administrators
- 3) **White collar work:** It is clerical and sales work. Like managerial work white collar work is organisational work but with lower status and power.
- 4) **Blue collar work:** The workers are involved in production of goods and not services. They include miners, carpenters, garment workers, craftsmen etc.
- 5) Other kinds of work involve service work such as hairdressers, farm work, housework and work in the informal sector.

### Check your progress:

1. Briefly explain the concept of work.

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2. What are the different varieties of work?

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The work environment affects the individual's performance and efficiency at the workplace. The purpose of work environment is to establish and maintain physical working conditions that allow individuals to perform their works efficiently and to concentrate on their tasks without unnecessary distractions. Work environment has to ensure that it complies with all applicable laws and regulations, that improvements are made to enhance performance, impediments are removed and distractions are minimised. Work performance and behaviour is constantly affected by physical conditions of work such as noise, illumination, heat, humidity etc. Improving work environment can resolve many work-related issues associated with productivity and morale. Absenteeism, fatigue, accidents can be solved with increasing awareness of quality of working conditions.

### Noise

One of the most widespread physical hazards in industry is noise. When noise becomes too intense it not only distracts employees but often causes both psychological and physical side effects. It may also reduce output and efficiency and cause fatigue apart from various health disorders. Noise prevention measures have to be adopted whenever necessary. While complete elimination of noise is not possible some attempts should be made to keep it within permissible limits.

### Lighting

Lighting should meet optimal illumination, uniform lighting, avoidance of glare, appropriate contrast and correct colour. The effect of proper illumination at the place of work contributes significantly to human performance. Proper lighting creates cheerful mood and leads to partial improvements in efficiency and productivity.

### Ventilation

Every workplace requires good ventilation to enable the worker to work efficiently. The purpose of ventilation is to either keep the occupants cool or to reduce the concentration of contaminant in the air inhaled by them.

### Temperature

Temperature at the workplace can have a significant impact on how focused and engaged employees are. While it may be difficult to find the ideal office temperature that suits the workplace, too high or low temperature at workplace creates discomfort. Maximum permissible limits must be set for the thermal severity of work places in order to maintain thermal balance either throughout a working day or over the duration required for the completion of a specific task. Care should be taken to maintain relative humidity level as humidity levels also affect productivity.

### Music

The use of music in an industry as an accompaniment of work is not a new thing. It is doubtful whether music as such has any effect on the efficiency

of work. It can be introduced only where there is sufficient silence. However light instrumental music is a mood enhancer and can increase the productivity of work.

Tips for improving work environment:

- 1) Make work areas as pleasant, clean and attractive as possible.
- 2) Check the adequacy and comfortable level of illumination, ventilation, temperature and equipment.
- 3) Eliminate hazardous conditions at work making workplace safe.
- 4) Provide employees with clean and adequate washrooms, clean and pure drinking water, canteen and recreation facilities.

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## 1.4 WORK BEHAVIOUR

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Working conditions in varying degree contribute to work behaviour. Unsafe working condition, poor lighting and ventilation, hot and humid environment not only influence the productivity and efficiency but also affect satisfaction and human behaviour. The important aspects of work behaviour are: accidents, fatigue, absenteeism, alcoholism and drug abuse.

### Accidents

R. Blake defines accidents as “unplanned or unintended occurrences that interrupt or interfere with work activity”. A number of factors in the physical work environment lead to accidents. These factors could be unprotected place, congested workplace, unsafe piling and storage, overloading, poor maintenance, unguarded machines, unsafe equipment etc. Accidents at workplace are costly for both the employers and the employees and their families. If accidents happen while on the office premises because of defective equipment or unsafe working conditions employees should be compensated for by the company. Continuous efforts should be made to minimise accidents and recommendations should be implemented. Accident prevention however requires a concerted effort on part of the top management through clear and well thought out policies and programmes.

### Fatigue

Fatigue is defined as the reduction in the ability to carry on with work because of overwork. This is accompanied by the feeling of being tired which is often due to length and intensity of the activity. Fatigue can be psychological as well as physiological. Physiological fatigue is essentially the physical fatigue of muscles and nervous system as a result of physical exertion like lifting heavy loads, pushing or pulling heavy objects etc. Psychological fatigue includes decrease in efficiency of work, mental fatigue, boredom and monotony. Monotony and boredom can be explained by motivation factors. Low motivation may lead to low productivity and increased motivation at workplace can make work enjoyable and reduce fatigue.

## Absenteeism

Absenteeism is a universal phenomenon and one of the major human problems in many organisations. It results in reduction of work, increase in labour cost, reduction in productivity and if unchecked increases indiscipline. Absenteeism may be due to motivational factors, family pressures and monotonous work.

## Alcoholism, drug abuse and smoking

Alcoholics are excessive drinkers whose dependence upon alcohol has reached such noticeable heights that it leads to mental disturbance or an interference with the body and mental health affecting interpersonal relations and smooth social and economic functioning. Industry has recognised the disastrous effects of alcohol on its workers wherein it has been found that alcoholics have higher rate of sickness, inefficiency and are more prone to accidents. Drug abuse alters the mood, the level of perception or brain functioning. Increase in the consumption of tobacco and smoking also is a major cause of concern.

Bad working conditions in industry can result in lower and poorer production. Thus, to maximise the output and profit work environment should be taken care of because work environment is also responsible for work behaviour.

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## 1.5 CHECK YOUR PROGRESS

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1. Explain the factors that affect work environment.
2. How does conducive work environment increase productivity?
3. What are the factors that affect work behaviour?

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## 1.6 WORK ETHICS

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Workplace ethics is defined as the principles and moral code that guides employee behaviour. Strong work ethics can help perform the tasks efficiently building positive image for the business. Ethical behaviour applies to individual employees as well as to the organisation. From organisation perspective it involves strong decision-making following codes of conduct taking into consideration the employee's best interest and from individual perspective it includes dedication, responsible behaviour and positive attitude towards performing the tasks diligently.

Work ethics can be traced to the Protestant work ethic. It is defined as reliability and trustworthiness, willingness to learn responsibilities for one's actions, willingness to work and willingness to work cooperatively (Miller and Coady 1989). Work ethics is the willingness to work that lead to application to the job and is evident through satisfaction with the material rewards at work. It is the willingness to stay employed with focus on beliefs, values and principles. These guide the way individuals interpret and act

upon their rights and responsibilities within the work context at any given time. Work ethics is associated with increased efficiency.

The worker who practices good work ethics deserves better position, challenging work, increased responsibility and promotion. Workers lacking in prevailing norms of work ethics are lacking in capability and therefore deserve no promotion.

Ethical behaviour is important in the workplace as positive employee behaviour leads to organisational growth. It can increase business outcomes, improve employee performance and win the trust of the stakeholders. Decreased work ethics in organisations can reduce productivity at the workplace. Unethical behaviour is detrimental to the reputation of the organisation. With growing technology unethical behaviour can be easily recorded and captured and shared online. Organisations should promote and encourage ethical behaviour and report unethical behaviour by engaging in regular proactive discussions and dialogue with the employees. Some suggest that work ethic is wealth ethics and wealth accumulation is the key factor influencing one's work ethics. Industrialisation has created a situation where machines are more important than human beings and the individual is no longer needed for success of the society as a whole thus eroding work ethics. Scientific management styles have resulted in employees having fixed standards and routines without knowing why or how those standards were set. This attitude towards work and workers is not appropriate for today's employees. The workplace must lose its authoritarian quality and become a place for employee's satisfaction and self-actualisation.

Marxists, and most sociologists debunk "work ethic" on principle. They find "work ethic" as irrational in industry if the employee cannot hope to become more than a manager, as she/he remains a tool in the hands of owner who is the ultimate authority. For sociologists, excessive concern with work ethics is a form of alienation that alienates the workers from his family and community transforming him/her into a workaholic leading an imbalanced life. Excessive work schedules can also lead to substance abuse, neglect of self, anxiety, psychological and physiological fatigue.

The changing workplace with job upgradation has greatly affected the work ethics. There is a shift in values at the workplace with the new values reshaping business. With increasing attrition rates companies are making efforts to attract and retain sincere and loyal employees. Strong work ethics are required to achieve the goals of the industrial organization.

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## 1.7 WORK CULTURE

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Culture in the context of human civilisation is the way of life of a human group and it includes all the learned and standardised forms of behaviour which one uses and which others in one's group expect and recognise. An

organisation is composed of groups which consist of individuals. Work culture is a consequence in an organisation formed by a set of values and beliefs carried forward from a long time and have impact on the behaviour, quality and quantity of work done by the employee in an organisation. It is important for the growth of a company.

Good organizational work culture can improve organizational performance increasing productivity, profits and growth. According to Likert, the best performance climate involves openness, trust, sharing, two-way communication and participative leadership. Walton along with the above-mentioned ideals also includes high skill levels and flexibility.

#### Organizational work culture\*

<b>Cultural values</b>	<b>Expression in Japanese companies</b>	<b>Expression in a American companies</b>	<b>Expression in type Z American companies</b>
<b>Commitment to employees</b>	Lifetime employment	Short-term employment	Long term employment
<b>Evaluation</b>	Slow and qualitative	Fast and quantitative	Slow and qualitative
<b>Careers</b>	Very broad	Narrow	Moderately broad
<b>Control</b>	Implicit and informal	Explicit and formal	Implicit and informal
<b>Decision-making</b>	group and consensus	Individual	Group and consensus
<b>Responsibility</b>	The group	Individual	Individual
<b>Concern for people</b>	wholistic	Narrow	Holistic

\*Moorhead, G., Griffin, R. 2000. Organisational Behaviour. Jaico Publication.

Some characteristics of organisational work culture which are important in the context of India are discipline, teamwork and cooperation, communication and consultation, delegation of authority, activation levels of individuals and groups, identity, flexibility and work innovation, role of unions and associations. The interaction of these elements of organisational climate with the constituents in the organisation produces the prevalent work

culture with its various attributes and characteristics. Thus, an increase in the level or an improvement in one or some of the elements of the organisational climate will produce a corresponding improvement in one or the several characteristics of work culture.

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## 1.8 CHECK YOUR PROGRESS:

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1. Explain the importance of work ethics in an organization.

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2. What is organizational work culture

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## 1.9 LET US SUM UP

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Sociology of work is the systematic study of work, economic structures, attitudes, behaviour and relationship of those involved in productive activities. Work is a universal phenomenon that involves expenditure of physical and mental effort. Work environment affects the individual's performance and efficiency at the workplace. The purpose of work environment is to establish and maintain physical working conditions that allow individuals to perform their tasks effectively. Work performance and behaviour is constantly affected by physical conditions of work such as noise, illumination, heat, temperature etc. Improving work environment can resolve many work-related issues associated with productivity and morale. Working conditions in varying degree contribute to work behaviour. The important aspects of work behaviour are: accidents, fatigue, absenteeism, alcoholism and drug abuse. Absenteeism, fatigue, accidents can be solved with increasing awareness of quality of working conditions.

Workplace ethics is defined as the principles and moral code that guides employee behaviour. Work culture is a consequence in an organisation formed by a set of values and beliefs carried forward from a long time and have impact on the behaviour, quality and quantity of work done by the employee in an organisation. It is important for the growth of a company.



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## 1.10 QUESTIONS

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- 1) With reference to sociology of work explain work ethics and work culture.
- 2) Discuss the concepts of work behaviour and work environment.
- 3) Discuss work behaviour with reference to sociology of work.

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# INDUSTRY, EVOLUTION, CHARACTERISTICS AND ITS IMPACT

## Unit Structure

- 2.1 Objective
- 2.2 Introduction
- 2.3 Industry Definition
- 2.4 Industry as a Production System
- 2.5 Evolution of Industry
- 2.6 Characteristics of Industry
- 2.7 Impact of Industry on Society
- 2.8 Summary
- 2.9 Questions
- 2.10 References

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### 2.1 OBJECTIVE

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- To raise awareness about modern industrialization and its characteristics
- To recognise the significance of industry as a complex production system
- To comprehend the social impact of industry

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### 2.2 INTRODUCTION

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P. Gisbert said that industry is "the use of complex and sophisticated methods to make goods and services that people want and need." The goal of these complicated methods, which involve using machines, is to improve the quality of production. Modern industry, which is more what the definition means, started during the Industrial Revolution in the second half of the 1800s and is still changing.

Man has always been, in some ways, a hard worker by nature. He's always used tools or other things to get food and meet his needs. Before they could read and write, men got their food by using stone tools, digging sticks, the hoe, the spear, or a bow and arrow.

There are now many different kinds of tools and machines in use. Man has always made them by using his intelligence and ability to change to get what he wants. In fact, the Latin word for "industry" is "industria," which means skill and resourcefulness. So, a man who is "industrious" is one who works hard and is smart about what he does. Industry in the modern sense means a way of making things. Where big, complicated machines and tools are used to make economic goods and services.

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## 2.3 INDUSTRY DEFINITION

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So, industry means a system of making things where machines are used to make a lot of things. In fact, the word "industry" is now used to describe a large factory where a lot of people work with machines together. This system uses a scientific or intentional way to increase production. In this method, called industrial mode, the capitalists invest a lot of money and hire workers. They also invest in land, build factories, install machines, and buy raw materials. Another group of workers are hired to work on fixed terms and conditions that are good for long-term production.

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## 2.4 INDUSTRY AS A PRODUCTION SYSTEM

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Today, the word "industry" is used to describe the way things are made in factories, where big and small machines are used to make consumer goods. This system uses a scientific or logical way to boost output. People call a "factory" a "place" where a lot of people work together under the same roof. Entrepreneurs, who are also called capitalists or merchants, came up with this system. These agents put their money into big projects and can wait for a long time to get it back. In the second half of the 18th century, entrepreneurs came up with this system so they could make a lot of common items. In this kind of system, rich people put a lot of money into land, buildings, machines, or people's labour. To make a number of things, outside workers were brought in. This way of making things was found to be very good and work right away to meet the goals. So, it said it was widely accepted and popular all over Europe.

This system is very different from the ways things were made before. Around the thirteenth century, a system called a guild was used to make things in Europe, and it was very successful at the time. The only way to make these things was by hand, which was very slow and took a lot of time. So, the one worker had to do everything, including all the steps in making the product. This whole manufacturing process used to take a long time, so there weren't many orders in a year. The finished product was so expensive that only wealthy people could buy it. So, the guild system was not right for the average person.

The guild system was made up of people who all worked in the same trade. There were rules and regulations for the guild system. Several rules were put in place to keep the masters, who were the main shop workers, from going broke and to keep demand from changing too much.

- How tools and techniques are used
- The number of orders each master can take each year.
- The number of employers who need to be hired or to speed up

The main goal was to stop masters from getting rich by making others poor. The Guild was also supposed to make sure that customers were happy with the products' quality and quantity. The Guild was also the only group that could get raw materials. The guild was made up of all the masters and other

trainees. The new guild system was different from the old industrial system in two ways. First, the guild tried to keep masters of the craft on the same level. Second, it tried to keep its economic position. They did this by keeping the prices in check.

The masters and trainees had a very casual relationship, almost like a father and son. But when they were done training, the trainees wanted to be masters too and competed with them.

Even though the guild system was very popular in the 1600s, there was a need for new products because of the discovery of many new metals outside of Europe. Because they couldn't use new methods under the old system, manufacturers had to look for alternatives to meet the demand for new products. British people were eager to get new metals and materials like glass, porcelain, silk fibres, etc. that were made in Western Europe, the United States, and Asia. Under the guild system, no experiments could be done, no new techniques or tools could be borrowed, and the number of workers could not be increased. So, the makers used different methods to keep up with the growing needs of the consumers.

These producers went to the village to find more workers. They sped up production by making the whole process easier and adding many small machines. Farmers, who were usually poor, liked this new way of doing things. They were interested in learning the craft, which had been greatly simplified, and they started to follow the producers' orders over time. They were given the raw materials, tools, and machines, as well as instructions for the design. The farmer agreed to do the work when it wasn't his busy time.

At first, all the producers agreed to this system of giving work to individual workers. This system was called the "putting out system" or the "domestic system." In India, many small-scale or informal industries, especially carpet industries, still use this system. Farmers or new workers got more ways to make money, which made them happy.

But after a while, the farmers started making bad products and weren't able to get the goods to the market on time. The business owners who put their money into orders from both abroad and at home could not lose these orders. Getting the raw materials to more houses and picking up the finished goods from each one took a lot of time and energy. This was also making the business lose money. So, they looked once more for other ways to make things.

The "factory system" was what they found this time. They told all the workers to work together under the same boss and tried to avoid wasting time or materials. The workers were put into a system of contracts. There was to be paid for work only when it was done. The workers were taught how to use the machines and do their jobs on time. People in need were willing to work for the business owners, who were now called capitalists. These capitalists put their money into buildings, land, machines, tools, materials, labour, etc., which was a big risk.

In the factory system, making good use of machines led to faster and bigger production. This also made the products better in terms of quality and finish. Compared to handicrafts, industrial products were also more durable.

Using scientific ideas also helped make the system work well. We could stop wasting time, energy, and money, which would save a lot of money. So, normal people could buy consumer goods at very low prices.

It was found that the "factory system" was very cheap and effective. It met the needs of the market and was very useful for capitalists. The total cost of making something could be figured out ahead of time, so the price could be set with a good profit margin. Because this system was based on science, other business owners in the same field were interested in it. This meant there was plenty of money to build the system.

Since the factory system could make a lot of things, the government also helped it instead of the guild system, which was falling apart very quickly. The government needed uniforms for the military, coins for the economy, and other things that people need every day. Only the factory system fully met this requirement.

The capitalists only saw the workers as people who had been hired through the contract system. It was a very formal and impersonal relationship.

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## 2.5 EVOLUTION OF INDUSTRY

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Industrialization is the process of how industries change over time. This process is so big that it affects every part of a person's life in a deep way.

At the start of the 19th century, the invention of machines and the specialisation of work led a number of business owners to start factories for mass production. This changed the whole society. This production that was done by machines spread all over Europe. Soon, everyone and everything will be different. Europe as a whole switched to mechanised production so that they could make things on a large scale. Consumption changes not only values and beliefs, but also patterns of rationality and materialism, which replace blind faith, religious superstitions, and asceticism that has nothing to do with the material world. People quickly got used to industrial goods and started living in a different way. The industrial revolution is a time of large-scale changes that affect family structures, habits, goals, education, and leisure. This was the first time industry changed a lot.

**When complex machines are used in factories and offices, they have a big effect on the people who work there:**

1. Machine-paced work was used a lot after programming of operations became part of the machine. This took away the worker's control over the timing and speed of work, giving rise to the idea of the worker as a "cog" in the machine.
2. In order to make a lot of things quickly, highly specialised machines were built. This cut down on the number of different tasks each

worker had to do, as well as the amount of knowledge and training each worker needed. The process as a whole is called "work simplification" or "job dilution," and workers don't like it because it makes their work repetitive and doesn't give them any technical challenges.

3. Making something in stages most industrial processes now include both line production and line assembly. The most important effect on people was that each work task became less connected to the finished product it helped make. Men no longer thought of the finished product as something they had made and didn't know how their work fit into it. This probably took away the sense of pride in work and how well it was done.
4. The technical staff of the engineer and the line managers became experts at designing machine processes and products and running production. When training and operating functions made it hard for most industrial workers to get in, the need for people with technical and complicated industrial knowledge grew.

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## 2.6 CHARACTERISTICS OF INDUSTRY

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1. Concentration of the manufacturing process in large factories or locations near sources of motive power, raw materials, or markets. This entailed the accumulation of fixed capital as well as free labour to put it to use.
2. Utilization of inanimate energy sources Machines powered by electricity or steam are used in manufacturing. Production increased and costs decreased as a result of the machines.
3. Labor differentiation and specialisation: The entire production process is divided into a number of simple and smaller stages or steps, in which specialised groups of workers are engaged. Workers become experts as they perform the same tasks every day. The manufacturing process is extremely fast. All stages of production are run concurrently, accelerating production even further. This has resulted in significant cost savings while increasing profit margins.
4. As the manufacturing process became more profitable, an increasing number of entrepreneurs entered the field.
5. There is a formal, contractual, and temporary relationship between capitalists and workers. Workers are weak in comparison to industrialists, who wield more economic and political power.
6. Large-scale production: It is possible to produce goods on a large scale using various large or small machines and a finely divided labour process. This has provided us with the opportunity to broaden our market.
7. Because industrial products are cheap and mass-produced, people in the middle and lower classes can now purchase them.

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## 2.7 IMPACT OF INDUSTRY ON SOCIETY

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1. A large middle class has emerged as a result of various skilled occupations in industry. Many people with specialised knowledge began working in industries and advanced to higher positions.
2. Consumption Pattern: As society becomes more market-oriented, people began purchasing goods that were readily available on the market. They adopt a materialist mind-set.
3. Due to the fact that people could only move to cities to work in factories, joint families disintegrated into single-person nuclear families.
4. Values: Rationality and secularism gained popularity; people began to question their traditional beliefs and readily adopted new patterns.
5. Educational system: Educational institutions adapted quickly to industry demands. People were taught the skills required for employment in the industries.
6. Social mobility and stratification many people in lower ranks lose their jobs to those in higher ranks, allowing them to advance in status.
7. Willingness to change: As a result of their exposure to mass media and new information, people adopt new technology and want to change their traditional way of life.

However, in the 1960s, this era entered a new phase of development known as post-industrial society or the "Age of Automation." Automation refers to programmable machinery. This has truly revolutionary implications for the machine-human relationship.

The two techniques that contribute to the worker's ability to programme operation and sense and feedback control signals have both been automated into the machine complex. It is now a required instruction for performing detailed and complex operations. Similarly, mechanical and electronic feedback devices that take information from ongoing processes and use it to modulate and monitor the operation by feeding corrective signals back into the process are now possible. Machines can do things that humans cannot because of psychological limitations.

The introduction of the great and cause-inspiring possibility that man can be substantially eliminated from the production of many goods and services is thus the fundamental feature of the second industrial revolution. This is already a problem in most industrialised countries, including the United States.

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## 2.8 SUMMARY

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"Industry" began in the 1800s during the Industrial Revolution and is still evolving today. The term "industry" refers to a method of producing goods



in which machines are used to produce a variety of goods. A factory is a place where many people work together with machines under one roof. Entrepreneurs devised this system in the 18th century to produce a wide range of common items. The guild system was comprised of individuals who all worked in the same trade.

The guild system's rules and regulations were put in place to keep the masters from going bankrupt. To meet the demand for new products in the 1600s, manufacturers had to look for alternatives. To keep up with the growing needs of the consumers, the designers used a variety of methods. Many small-scale or informal industries, particularly carpet industries, continue to use this system in India. A number of business owners established factories for mass production in the nineteenth century.

These capitalists risked their money on buildings, land, machines, tools, materials, labour, and so on. Workers were taught how to operate the machines and complete their tasks on time. The manufacturing process is lightning fast. All stages of production are run concurrently, further accelerating production. As a result, significant cost savings have been realised while profit margins have increased.

People in the middle and lower classes can now afford industrial products because they are inexpensive and mass-produced. The "Age of Automation" saw the rise of machines that can perform tasks that humans cannot due to psychological constraints.

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## 2.9 QUESTIONS

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1. Discuss the definition of industry.
2. Emphasizes industry characteristics.
3. Describe the growth of industries beginning in the nineteenth century.
4. Examine the social impact of industry.

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# PRE-CONDITIONS AND CONSEQUENCES OF INDUSTRIALIZATION

## Unit Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Industrialization
- 3.3 Meaning and Definition of Industrialization
- 3.4 Prerequisites for Industrialization
- 3.5 Consequence of Industrialization
- 3.6 Socio-Structural Changes
- 3.7 Summary
- 3.8 Questions
- 3.9 References

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## 3.0 OBJECTIVES

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1. To understand the the idea of Industrialization
  2. To analyze and understand the consequences of Industrialization on human society
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## 3.1 INTRODUCTION

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Different nations had varied experiences with industrial growth. However, because the changes associated with industrialization have been continuous, the lag in some industries was not noticeable as other industries grew rapidly.

Transport development, heavy industry, and more sophisticated industries such as metalworking, chemicals, and electronics followed the expansion of the textile industry. In the majority of instances, substantial increases in agricultural output, foreign trade, or both have accompanied industrial development.

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## 3.2 INDUSTRIALIZATION

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Production on a large scale in factories has had a significant impact on human history. The extent of its influence has led us to recognise an industrial society as a "type" of society that carries its mark. Industrializing and industrialised societies represent the two major world divisions. In a desperate effort to catch up with industrialised societies, industrialising societies try various methods. It seems inevitable that we will industrialise. Nowadays, societies have little other option.

The result of a lengthy and intricate historical process is industrialization. The words "industrial society" and "industrialization" are now used frequently in conversation. They are a reflection of a new era in social organisation where industrial production rules human existence. The character of human society has been fundamentally altered by industrialization.

As scientific knowledge is continuously developed, studied, and applied, an industrial production system is created. The term "industrialization" describes a process of evolution in the technology used to produce goods and services. It served as a strategy for managing the economy. Reduced real cost per unit of producing goods and services was the main objective of this. Industrialization, a global phenomenon, has ushered in quick organisational changes across all societies. The development of contemporary industry and technology, coupled with profound political and social transformations, is what is meant by industrialization.

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### 3.3 MEANING AND DEFINITION OF INDUSTRIALIZATION

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Industrialization, in the words of Ms. Gore, is "a process where the production of goods with the use of hand tools is replaced by the production with the use of power-driven machines." Changes in the organisation of trade and finance are also brought about, along with corresponding changes in the technologies of agriculture, transportation, and communication.

The terms "industrialism" and "industrialization," according to the succinct Oxford Dictionary of Sociology, denote a change in the modes of production that greatly increases the capacity of modern societies to create wealth in comparison to traditional systems.

When used strictly, industrialization refers to the process of producing economic goods and services with a significant amount of the power coming from inanimate sources. Industrialization is the process by which industries grow and the corresponding technology advances. Technology advancement, specialisation and differentiation of labour practises, and the scientific use of humans and machines are the main drivers of industrialization. Infrastructure resources are needed. Industrialization in terms of transportation, communication, electricity, and roads. The use of technology, automation, mass production, and mass consumption are all part of it. Additionally, it is characterised by fixed capital, free labour, and the management of people, resources, cash, and equipment. The spirit of science is industrialization.

Wilbert Moose asserts that "industry" is the process of turning raw materials into finished goods using mechanical power, and "industrialization" is the expansion of this industry. As a result, there will be an increase in the propensity to use technology in ways that take into account economic, technological, and commercial values. The economic structure of society has a significant impact on every modern institution. Human values that derive from the physical underpinnings of contemporary civilization serve

as the foundation for institutions such as the school, church, home, and recreational facilities, among others. Markets and machines are only a small part of industrialization. It suggests that there is a relationship between people and institutions, one that is dominated by commercial and industrial ideals.

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### 3.4 PREREQUISITES FOR INDUSTRIALIZATION

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1. Availability of capital for investment: Industrialization factories, machinery, and labour manufacturing cannot be initiated without sufficient capital or funds for investment. Only if pre-industrial economic activity and industrialization, particularly agriculture, can produce a surplus after providing for consumption can formation occur. Subsistence economic activity does not lend itself well to the generation of a surplus. Commercial agriculture, which makes efficient use of land and labour and aims to produce a surplus that can be sold, is most conducive to the growth of industry.
2. Availability of Fundamental Raw Materials: They may be imported, so this is not a crucial requirement. Japan has become the leading producer of steel automobiles and heavy machinery despite having almost no reserves of iron, oil, or other essential raw materials.
3. Availability of impersonal credit:-All productive businesses rely on borrowed funds. Credit and financial institutions that can absorb excess capital from surplus holders and make it available to investors. Industrialization is a form of impersonal credit, which is essential to economic growth. Accessibility to impersonal credit Industrialization presupposes the existence of a legal system that ensures debtors and creditors fulfil their respective obligations.
4. A dedicated workforce: Industrialization necessitates a dedicated workforce. Commitment is the acceptance of industrial society's values and their expression. Industrialization requires that workers view industrial work as a desirable occupation. Acceptance of machine pacing's hierarchy, supervision, and highly specific forms of authority and mobility is required for commitment. Geographically and professionally mobile labour force is required. A labour force that is restricted to a single location, trade, or skill due to traditional considerations cannot meet the needs of industry. Due to the constant evolution of industrial technology, the workforce must be able to adapt to new developments.
5. Large expanded market: Industry requires a market for its products in order to thrive. Demand for large-scale production for an impersonal market must exist, and such a market must exist.
6. Political stability: Only with political stability can industry flourish. Unstable political conditions create uncertainty for the company and impede its expansion. Political stability is essential for successful

industrialization. Government policies that are steadfast support the industry.

7. **Mobilization Of Basic Resources:** The key to successful industrialization is the mobilisation of basic resources, particularly labour and capital. Rapid industrialization becomes challenging if resources are held back by traditional considerations and are therefore unavailable to meet demand.
8. **Entrepreneurial Ability:-** Industrialization's most essential requirement is entrepreneurial spirit. David McClelland has argued that material growth requires a desire for economic development. The entrepreneur is responsible for establishing a trial enterprise. He is so important that he is frequently considered a factor of production alongside land, labour, and capital.
9. **Economic Activity:** For any form of economic activity to flourish, the broader society must recognise its legitimacy. Industrialization can only flourish if there is societal agreement on the ideas, beliefs, and values underlying modern factory production.
10. **Differentiation and specialisation of labor:-**The new technology, which signifies the division of the entire production process into a series of simple steps, to each of which a group of specialised workers is assigned. Industrialization is the essential technical condition for industrial expansion. To make appropriate decisions, there must also be a systematised structure based on authority and specialised skills.
11. **Institutional structures** are essential for the transfer of authority and responsibility for the materials of production. Labor must be transferable as well. This requires the establishment of a labour market and a system of financial and other incentives to encourage workers to switch employers, skill levels, and so on.

The contractual system must be equitable and enforceable. Monopolies and other competitive strategies should be subject to limits. system of credit, stabilisation of the currency and its exchange rate, and state fiscal policies of a certain degree of dependability are thus essential.
12. **Motives and values:** Rationalisation is the most important value for this type of economic organisation. Rationalization is the application of rational and logical reasoning to everyday problems. The decline is progressive. The industrialization of religion and the replacement of its values with those derived from science and reason. The organisation of society is based on the rational and efficient maximisation of gain and minimization of expense. Raymond Aaron considers economic calculation to be the defining characteristic of modern society.

Industrialization has a wide range of negative effects. It is appropriate to start with the structural aspects of society that are primarily

economic in nature, move on to the demographic and ecological traits of populations that have been rearranged by economic development, and then pay attention to some notable aspects of social organisation.

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### 3.5 CONSEQUENCE OF INDUSTRIALIZATION

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#### Industrial Development and Its Impact on Societal

##### Economic Organization

- A monetary basis of exchange is essentially a prerequisite for industrialization of any significance. The goods must be marketed, and workers must be compensated. Services are to be financially compensated. Financial transactions have become widespread.
- Changes in occupational structure: In most areas of factory production, skilled labour is required and in high demand. As labour has become increasingly differentiated and specialised, numerous occupations have emerged. Each one necessitates a skilled and educated workforce. This demand for differentiated services will continue to increase over time. Industrialization can be traced back to a series of interconnected and ongoing changes in occupational structures.
- Demographic and environmental consequences: Industrialization creates a portion of its own labour force through indirect and largely unintended means. This is the result of mortality reductions resulting from a vast array of public health, medical, and food production technologies. However, birth rates are not immediately affected; they may even increase slightly due to improved health and nutrition. Eventually, birth rates decreased, bringing the population under control.

Industrialization is commonly associated with a high urbanisation rate, but in developing regions such as India, the urbanisation rate is higher than the industrialization rate. Cities increase in both numbers and population. Due to the improved opportunities afforded by industrialization, a large number of rural residents relocated to urban areas. Urbanization, or migration, indicates dissatisfaction with the current state of affairs. Even if they are not significant manufacturing centres, cities are "not independent" of industrialization.

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### 3.6 SOCIO-STRUCTURAL CHANGES

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1. The impact of industry on kinship and the family is perhaps the most notable and far-reaching because in many non-industrial societies, family relationships are the primary source of social status and personal identification. The required geographical and social mobility of an industrialised economy weakens or dismantles the multigenerational and laterally extended "corporate" kin group. As the family modernises, intergenerational tensions diminish.

For many displaced people, there is little social structure between the immediate family and the native family. The result is feelings of isolation, apathy, alienation, and criminal behaviour. As a result, the number of voluntary organisations to which these displaced members wish to belong has increased.

2. The institutionalization of rationality, i.e. a focus on problem-solving and impersonal relationships, frequently results in "instrumentalism" and a lack of basic value orientations. In these circumstances, the family retains its significance as an affectionate and personal network of relationships.
3. Additionally, industrialization influences differentiation and stratification. The manager and the managed, as well as capitalists and workers, represent two extreme types of positions with income, education, and power disparities. The rise of the middle class is also attributable to an increase in professionalism, or specialised knowledge.

Marx correctly observed that due to the exploitative tendencies of capitalists, workers become dissatisfied and violent, and their conflict will continue to escalate.

4. Rapid industrialization has a negative impact on the natural world. Pollution of the air and water is an unavoidable by product of industrialization. Continuous extraction of minerals and oil resources also poses a serious risk of depletion. Additionally, polluted air and water give rise to incurable diseases.
5. Impact on the community: As a result of the expansion of industries, the traditional community underwent profound transformations. Its tightly knit personality vanishes either globally or abruptly. The development of industries necessitates a "mobile working force," which has resulted in a socially and geographically mobile population.

Due to land ownership, industrial employment is not as secure as agricultural employment. The workers are entirely reliant on factories for support.

6. Family disorganisation number: In industrialised societies, divorce and separation have become prevalent, resulting in family disorganisation. Individualism's expansion has affected the institution of marriage and the parent-child relationship.
7. Status of women: As a result of increased opportunities for education and employment in the outside world, women acquire more power and a higher status. The family's role as a consumer unit in economic activities continues to grow as its income increases.

8. "Impact on education: There is a greater demand for higher education and skills." Consequently, the rate of literacy has increased. Today, it is 65 percent in India. Also required are superior technical abilities.
9. Democracy: There is a rise in democratic government on the political front. A democratic government promotes literacy and awareness of one's rights. People become more accountable to the government and its procedures.

According to the theory of industrialization, any changes brought about by this process and those based on western experience must also occur in developing societies. On the basis of non-Western experience, neeLpf undergoes a thorough revision.

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### 3.7 SUMMARY

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An industrial society is a type of society that carries its mark on human existence. The character of human society has been fundamentally altered by industrialization. Reduced real cost per unit of producing goods and services was the main objective of this. Industrialisation has ushered in quick organisational changes across all societies. When used strictly, industrialization refers to the process of producing economic goods and services.

Industrialization is characterised by fixed capital, free labour, and management of people, resources, cash, and equipment. It suggests that there is a relationship between people and institutions dominated by commercial and industrial ideals. Industrialization presupposes the existence of a legal system that ensures debtors and creditors fulfil their obligations. The key to successful industrialization is the mobilisation of basic resources, particularly labour and capital. Industry requires a market for its products in order to thrive.

Industrialisation can be traced back to a series of interconnected and ongoing changes in occupational structures. Monopolies and other competitive strategies should be subject to limits. State fiscal policies of a certain degree of dependability are essential for the transfer of responsibility for materials of production. The impact of industry on kinship and the family is perhaps the most notable and far-reaching because in many non-industrial societies, family relationships are the primary source of social status and personal identification. Pollution of the air and water is an unavoidable -y product of rapid industrialization.

There is a greater demand for higher education and skills, and a rise in the rate of literacy. The family's role as a consumer unit in economic activities continues to grow as its income increases. It has also affected the institution of marriage and the parent-child relationship.



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### 3.8 QUESTIONS

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1. Write a note on the Idea of Industrialization
2. Elaborate on the prerequisites for Industrialization?
3. Write a brief answer on the consequences of Industrialization.

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## FORDISM AND POST FORDISM

### Unit Structure

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Organization of Work
- 4.3 Taylorism, Fordism and Post Fordism
- 4.4 Flexible Production
- 4.5 Summary
- 4.6 Check Your Progress
- 4.6 Question
- 4.7 Reference

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### 4.0 OBJECTIVES

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1. To help students understand the idea of work, mass production, and the mass market.
2. To know what Taylorism, Fordism and Post- Fordism mean.

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### 4.1 INTRODUCTION

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A highly intricate division of labour is one of the most distinguishing features of the economic systems of contemporary societies. People now specialise in a vast array of occupations. Non-agricultural work in traditional societies required mastery of a craft. A lengthy period of apprenticeship was required to acquire craft skills, and the worker typically oversaw all phases of the production process. A metalworker creating a plough, for instance, would forge the iron, shape it, and assemble the tool. With the rise of modern industrial production, the vast majority of traditional crafts have vanished, replaced by skills that are integrated into larger-scale production procedures. The life story of Jockey, is one example. He devoted his entire career to one highly specialised task, while others in the factory performed other specialised tasks.

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### 4.2 ORGANIZATION OF WORK

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Additionally, the location of work has shifted in modern society. Prior to industrialization, the majority of work was performed at home and was completed by all household members. Advances in industrial technology, such as electric and coal-powered machinery, have aided in the separation of work and home. Entrepreneurial factories become the focal points of industrial growth. There was a concentration of machinery and equipment within them, and the mass production of goods began to supplant home-based craftsmanship. People seeking employment in factories, such as

Jockey, would be trained to perform a specialised task and paid for their efforts. Managers were responsible for monitoring employee performance and implementing techniques to improve worker productivity and discipline.

The contrast between the division of labour in traditional and contemporary societies is truly remarkable. Even in the largest traditional societies, there were typically no more than twenty to thirty major craft trades, in addition to specialised roles such as merchant, soldier, and priest. There are literally tens of thousands of distinct occupations in the contemporary industrial system. Approximately 20,000 distinct jobs in the British economy are listed in the UK census. In traditional communities, the majority of people worked on farms and were economically independent. They created their own food, clothing, and other essentials. In contrast, an enormous expansion of economic interdependence is one of the primary characteristics of modern societies. Everyone depends on a vast number of other workers. With few exceptions, the vast majority of people in modern society do not produce the food they eat, the homes they live in, or the material goods they consume. This is true across the globe for the products and services that sustain our lives.

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### **4.3 TAYLORISM, FORDISM AND POST FORDISM**

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Nearly two centuries ago, Adam Smith, one of the founders of modern economics, identified the advantages of labour division in terms of increased productivity. The opening paragraph of his most famous work, *The Wealth of Nations* (1776), describes the division of labour in a pin factory. Possibly 20 pence per day could be earned by an individual working alone. By breaking down that worker's task into a series of simple operations, however, ten workers performing specialised jobs in collaboration could produce 48,000 pins every day. In other words, the production rate per worker has increased from 20 pins to 4,800 pins, with each specialist operator producing 240 times more than when working alone.

More than a century later, these ideas reached their fullest development in the works of Frederick Winslow Taylor (1865-1915). Taylor, an American management consultant, utilised what he termed "Scientific Management" to break down complex industrial processes into simple, precisely timed and organised operations. Taylorism, as scientific management has come to be known, was not merely a scholarly investigation. It was a production system designed to maximise industrial output, and it had a significant impact not only on the organisation of industrial production and technology, but also on workplace politics. Particularly, Taylor's time and motion studies wrested control over production process knowledge from the worker and placed it firmly in the hands of management, eroding the basis upon which craft workers maintained autonomy from their employer (Braverman 1974). As a result, Taylorism is commonly associated with the de-skilling and debasement of labour.

Henry Ford (1863-1947), an industrialist, appropriated the principles of Taylorism. Ford designed his first auto plant in Highland Park, Michigan, in 1908 to manufacture only one product — the Model T Ford — with the introduction of specialised tools and machinery designed for speed, precision, and ease of operation. One of Ford's most significant innovations was the assembly line, which was reportedly inspired by Chicago slaughterhouses in which animals were disassembled piece by piece along a moving line. Each worker on Ford's assembly line was responsible for a specific task, such as installing the left-side door handles as the car bodies moved down the line. When production of the Model T ceased in 1929, more than 15 million automobiles had been manufactured.

Ford was one of the first to recognise that mass production requires mass markets. He reasoned that if standardised products, such as the automobile, were to be manufactured on a larger scale, the presence of consumers able to purchase them must also be ensured. In 1914, Ford took the unprecedented step of unilaterally increasing wages at his Dearborn, Michigan plant from \$5 to \$5 per eight-hour day, a very generous wage at the time and one that ensured a working class lifestyle that included the ownership of such an automobile. According to Harvey, the purpose of the five-dollar, eight-hour day was only partially to ensure worker compliance with the discipline required to operate the highly productive assembly line system. It was intended to provide workers with enough income to purchase the mass-produced goods that corporations were about to produce in ever greater quantities. Ford enlisted the aid of a small army of social workers to educate them on appropriate consumption habits.

Fordism is the name given to the system of mass production coupled with mass market cultivation. In specific contexts, the term refers to a historical period in the development of post-World War II capitalism during which mass production was associated with stability in labour relations and a high degree of unionisation. Under Fordism, companies made long-term commitments to their employees, and wages were strongly correlated with productivity growth. Collective bargaining agreements, formal agreements negotiated between firms and unions that specified working conditions such as wages, seniority rights, and benefits, thereby closed a virtuous circle that ensured worker consent to automated work regimes and adequate demand for mass-produced goods. It is widely believed that the system broke down in the 1970s, resulting in more flexible and uncertain working conditions.

### **The limitations of Taylorism and Fordism**

The causes of Fordism's demise are complex and hotly contested. As companies from a variety of industries adopted Fordist production methods, the system ran into certain limitations. At one point, Fordism appeared to represent the probable future of industrial production as a whole. However, this has not been the case. The system can only be successfully implemented in industries that produce standardised products for large markets, such as automobile manufacturing. To set up mechanised production lines is extremely costly, and once a Fordist system is in place, it is quite rigid; for example, to modify a product requires substantial reinvestment. Fordist

production is simple to replicate if sufficient funds are available for plant construction. But firms in countries with expensive labour find it difficult to compete with those in nations with lower wages. This was one of the initial factors that led to the rise of the Japanese automobile industry and, subsequently, that of South Korea, despite the fact that Japanese wages are no longer low.

However, Fordism and Taylorism are what some industrial sociologists refer to as low-trust systems. Jobs are determined by management and designed for machines. Those who perform the work tasks are closely supervised and have little discretion in their actions. Employees are continuously monitored by a variety of surveillance systems in order to maintain discipline and high production quality standards.

This constant supervision, however, tends to have the opposite effect of what was intended: workers' commitment and morale are frequently eroded due to their lack of control over the nature of their work and the lack of trust with which it is performed. In workplaces with numerous low-trust positions, worker dissatisfaction, absenteeism, and industrial conflict are prevalent.

In contrast, a high-trust system is one in which workers are permitted to control the pace and even the content of their work, as long as they adhere to general guidelines. Typically, these systems are centralised at the higher level of industrial organisation. As we shall see, high-trust systems have become more prevalent in many workplaces over the past few decades, fundamentally altering how we conceptualise the organisation and execution of work.

### **The Changing nature of work and working**

The globalisation of economic production and the proliferation of information technology are transforming the nature of most people's jobs. As discussed earlier, the proportion of blue-collar workers in industrialised nations has steadily decreased. Fewer individuals work in factories than in the past. In offices and service centres such as supermarkets and airports, new jobs have been created. Several of these new positions are occupied by women.

### **Occupational Segregation**

Historically, women have been concentrated in low-paying, routine occupations. Many of these occupations are highly sexist; they are commonly perceived as "women's work." Secretarial and caring occupations (such as nursing, social work, and child care) are dominated by women and generally considered "feminine." Occupational gender segregation refers to the fact that men and women are concentrated in different types of jobs, based on commonly held beliefs about what constitutes "male" and "female" work.

It has been observed that occupational segregation separates vertical and horizontal components. Vertical segregation refers to the tendency for

women to be concentrated in jobs with limited authority and advancement opportunities, while men occupy positions of greater power and influence. Horizontal segregation refers to the propensity for men and women to occupy distinct occupational categories. For instance, women are disproportionately represented in domestic and routine clerical positions, whereas men are concentrated in semi-skilled and skilled manual positions. Horizontal segregation is manifest. In 1991, clerical, secretarial, personal service, and 'other elementary' jobs accounted for more than 50 percent of women's employment in the United Kingdom, compared to 17 percent of men's (Crompton 1997). In 1998, 26% of women held white-collar jobs, compared to 8% of men, while 17% of men held skilled manual jobs, compared to 2% of women (HMSO 1999).

Occupational segregation has been influenced by both shifts in the organisation of employment and gender-role stereotypes. Changes in the prestige and duties of "clerks" provide an excellent example. In 1850, men comprised 99 percent of clerks in the United Kingdom. The position of clerk was frequently a responsible one, requiring accountancy knowledge and sometimes managerial responsibilities. In the outside world, even the lowest clerk had a certain status. Beginning with the introduction of the typewriter in the late nineteenth century, the twentieth century witnessed a general mechanisation of office work, accompanied by a marked downgrading of the skills and status of "clerk" and "secretary" into a low-status, low-paid occupation. As the pay and prestige associated with these jobs diminished, women began to fill them. In the United Kingdom in 1998, nearly 90 percent of clerical workers and 98 percent of all secretaries were female. In contrast, the percentage of secretaries has decreased over the past two decades. Computers have replaced typewriters, and the majority of managers' letter-writing and other tasks are now performed on the computer.

## **Post – Fordism**

In recent decades, flexible practises have been implemented in a variety of spheres, including product development, production techniques, management style, the working environment, employee involvement, and marketing. Group production, problem-solving teams, multitasking, and niche marketing are a few of the strategies that businesses have adopted in an effort to restructure themselves in response to shifting conditions. Some commentators have suggested that, collectively, these changes represent a radical departure from the principles of Fordism; they argue that we are currently living in an era that is best described as Post-fordism. The phrase was popularised by Michael Piore and Charles Sabel in their 1984 book *The Second Industrial Revolution*. It refers to a new era of capitalist economic production in which flexibility and innovation are maximised in order to meet market demands for diverse, customised products.

The concept of Post-fordism is somewhat problematic; however, the term is used to refer to a series of overlapping changes that are occurring not only in the realms of work and economic life, but also in the realms of politics, culture, and technology.

in the entirety of society. Some authors argue that the tendency toward Post-fordism can be observed in a variety of spheres, including party politics, welfare programmes, consumer and lifestyle choices, and consumer and lifestyle choices. There is no consensus on the precise meaning of Post Fordism or even if this is the best way to comprehend the phenomenon we are witnessing, despite the fact that observers of contemporary society frequently point to the same changes.

Despite the ambiguity surrounding the term, distinct trends within the world of work have emerged in recent decades that appear to represent a distinct departure from Fordist practises. These include the decentralisation of work into non-hierarchical term groups, the concept of flexible production and mass customization, the spread of global production, and the introduction of a more flexible occupational structure. We will examine examples of the first three of these trends prior to examining the Post-fordist thesis's critics. In the section entitled "current trends in the occupational structure," flexible work schedules will be discussed.

### **Group production**

As a means of reorganising work, collaborative work groups have sometimes been used in place of assembly lines in conjunction with automation. The underlying idea is to increase worker motivation by allowing groups of workers to collaborate on production processes, as opposed to requiring each worker to spend the entire day performing a single repetitive task, such as installing screws in a car door handle.

Group production is exemplified by quality circles (QCS), a group of five to twenty workers who meet regularly to study and resolve production issues. Workers who are members of QCS receive additional training, allowing them to contribute their technical expertise to discussions about production issues. In the 1980s, QCS were re-popularized in Western economies after having been developed in the United States, adopted by a number of Japanese corporations, and then re-popularized in the West. They represent a departure from the tenets of Taylorism because they reorganise workers so that they can contribute to the definition and execution of the tasks they perform.

The positive effects of group production on workers can include the acquisition of new skills, an increase in autonomy, a decrease in managerial oversight, and an increase in pride in the products and services they produce. However, a number of negative consequences of team production have been identified by research. Although direct managerial authority is less obvious in a term process, there are other forms of monitoring, such as team member supervision. The American sociologist Laurie Graham began working on the assembly line at the India-based Subaru-Isuzu automobile factory, which is owned by the Japanese. In the United States, they discovered that the pressure from coworkers to improve productivity was constant.

After initially being enthusiastic about the team concept, one coworker discovered that peer supervision was nothing more than a new way for



management to "work people to death." Graham (1995) also discovered that Subaru and Isuzu used the group production concept to resist trade unions, arguing that if management and employees were on the same "team," then there should be no conflict between the two. In other words, demands for higher pay or fewer responsibilities were interpreted as a lack of employee cooperation at Graham's Subaru-Isuzu factory. Sociologists have concluded, based on research similar to that of Graham, that although team-based production processes provide workers with opportunities for less monotonous forms of work, power and control structures in the workplace remain unchanged.

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## 4.4 FLEXIBLE PRODUCTION

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The introduction of computer-aided design and flexible production has been one of the most significant changes in global production processes in recent years. While Taylorism and Fordism were successful at producing mass products (that were all the same) for mass markets, they were unable to produce small orders of goods, let alone goods specifically designed for an individual's customer. The limited ability of Taylorist and Fordist systems to customise their products is reflected in Henry Ford's famous quip about the first mass-produced car: people can have the Model T in any colour as long as it's black. Computer-aided design, in conjunction with other types of computer-based technology, has drastically altered this situation. Stanley Davis discusses the emergence of "mass customization." The new technologies enable large-scale production of items customised for specific customers. Every day, an assembly line may produce 5,000 shirts. It is now possible to customise each and every shirt in the same time and at the same cost as producing five thousand identical shirts (Davis 1988).

While flexible production has benefited consumers and the economy as a whole, the effects on workers have not been entirely positive. While workers learn new skills and have less monotonous jobs, flexible production can create a completely new set of pressures due to the need to carefully coordinate the complex production process while producing the result quickly. Laurie Graham's study of the Subaru-Isuzu factory documented instances when workers were left waiting until the last minute for critical parts in the manufacturing process. As a result, employees were forced to work longer and more intensely to meet the production schedule without additional compensation.

Technology such as the internet can be used to gather information about individual consumers and then manufacture products to their exact specifications. Skeptics argue that mass customization does not offer anything resembling a New Industrial Revolution, a development as significant as the previous century. However, critics point out that, as it is currently practised, mass customization only creates the illusion of choice; in reality, the options available to Internet customers are no greater than those offered by a typical mail order catalogue (Collins 2000).

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## 4.5 SUMMARY

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Dell Computer is one of the manufacturers that has taken mass customization the most seriously. Consumers who want to buy a computer from the manufacturer must go online because the company does not have retail outlets, and they must navigate Dell's website. Customers can choose the exact combination of features they want. Following the placement of an order, a computer is custom built to specifications and shipped, typically within days. In effect, Dell has turned traditional business practises on their heads. Previously, companies would build a product first and then worry about selling it; now, mass customizers like Dell sell first and build second. Such a shift has significant implications for the industry. The need to keep parts on hand, which was a significant cost for manufacturers, has been greatly reduced. Furthermore, an increasing proportion of production is outsourced. As a result, rapid information transfer between manufacturers and suppliers, facilitated by Internet technology, is critical to the successful implementation of mass customization.

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## 4.6 CHECK YOUR PROGRESS

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1. What skills do you need to work in a modern industry?

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2. What does Taylorism mean?

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3. What does Fordism mean?

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## 4.7 QUESTION

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1. Explain in detail Taylorism and Fordism theory.



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## POST-INDUSTRIALISM

### Unit Structure

- 5.0 Objectives
- 5.1 Introduction- Post-industrialism
- 5.2 Characteristics of post-industrial society
- 5.3 Critique
- 5.4 Check your progress
- 5.5 Let us sum up
- 5.6 Questions
- 5.7 References/ Additional readings

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### 5.0 OBJECTIVES

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- To understand the concept of post-industrial society.
- To acquaint the students with the changes associated with post-industrial society.
- To critically evaluate post-industrial society.

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### 5.1 INTRODUCTION- POST-INDUSTRIALISM

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The 1960's marked the discovery of the dark side of industrialism. Realisation dawned that industrialisation had been achieved at huge cost to environment, society and people. Industrialisation was no longer seen as a cure to the ills afflicting human society. It offered no solution to the alienation of man due to mass production in industry. Sociologists began constructing a new vision of the good society to replace the old. This new vision had several names- The post-industrial society, also called post scarcity society, knowledge society, service society, information society. Post-industrial society was popularized by sociologist Daniel Bell in his book "The Coming of Post-Industrial Society: A Venture in Social Forecasting." Daniel Bell (1976) coined the term post-industrialism to refer to computer-linked technology that supports an information-based economy.

Bell argues that in the post-industrial society, the possession of knowledge is more important in comparison to the possession of private property as a modern source of power. A post-industrial society is a white-collar society dominated by service work and the centrality of theoretical knowledge. The increased economic value of knowledge produces changes in the social structure which sees emergence of knowledge classes- the professional class engaged in high level production and control of knowledge.

In this new type of society, the central person is the professional for he is equipped by his education and training to provide the kinds of skills which are increasingly demanded in a post-industrial society. The command over knowledge becomes significant.

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## 5.2 CHARACTERISTICS OF POST-INDUSTRIAL SOCIETY

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- 1) The basic principle of post-industrial society is **theoretical knowledge**. Theoretical knowledge is the strategic resource of the new society and this new resource is located in the universities and research institutions.
- 2) With the change in the basic resource there is **change in technology**. Intellectual technology problem solving systems using electronic machines which allow for rational macro planning, forecasting and monitoring becomes more important than machine technology.
- 3) The post-industrial is a service producing society rather than goods producing society. Service sector includes trade, finance, transport, health, recreation, education and government. Within the service sector itself there is a rapid growth of the professional and technical staff.
- 4) **White collar workers replaced blue collar manual workers** as the single largest group in the labour force.
- 5) The financial allocation towards higher education and research has been increased in the most industrialised nations. This shows that **theoretical knowledge** is the central organising principle of such societies.
- 6) Bell contents that post-industrialism offers **solution to many problems of industrial society**. Bell's vision of the new worker is of a person who performs interesting and varied job in calm, peaceful and pleasant surroundings. He is engaged in provision of service and not in the production of goods interacting with live people rather than machines. The new forms of work with personalized service reduces monotony and boredom.
- 7) Post-industrial society offers **solution to the alienation of man. The work is varied and interesting** allowing the individual to his work at his own pace rather than controlled by the machines. It also allows freedom as the worker does the complete tasks rather than fragmented work.

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## 5.3 CRITIQUE

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Bell's post-industrial order has evoked some sharp reactions.

Bell's interpretation of the trend of modern society dominated by service workers rather than agricultural or industrial workers is disputed. His central argument is that employment in the services has risen at the cost of employment in industry. Some would argue that while service sector has grown dramatically, this has been achieved at the cost of agriculture and not of industry.

It would be incorrect to equate industrial employment with blue collar manual jobs and service employment with white collar jobs. Many tasks involved in the provision of services such as catering, cleaning, entertainment and transportation are of manual and even menial kind not very different from industrial jobs.

The argument that white collar workers in the service sector perform varied jobs in a pleasant atmosphere has also been criticised. Most of the service sector employees are clerks who have been driven into large, impersonal offices. Post-industrial society also has characteristics found in industrial societies such as the repetitiveness of task, division of labour, fragmentation of tasks, monopoly and boredom.

His assertion that there is an increase in professionals within the white collar has also been criticised. The expansion of professions in the service sector is taking place at a lower level. People assigned as engineers, technologists, scientists, although perform experiments, collect data and produce services, they do their job according to someone else's specification. Thus they are mere providers of information. They are unlikely to enjoy freedom on the job and exercise knowledge. Production of scientific knowledge has itself become an industry.

He has been criticized for neglecting the gender dimension of work. He neglected to examine the significance of low skill content of jobs for females.

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## 5.4 CHECK YOUR PROGRESS

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1. What is the meaning of post-industrial society?

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2. Mention the predominant characteristic of post-industrial society that distinguishes it from the industrial society.

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3. What are the main criticisms of the post-industrial society?

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## 5.5 LET US SUM UP

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The post-industrial society also known as post scarcity society, service society, information society, knowledge society is associated with Daniel Bell. It is the stage of society where one sees the shift from production of goods to provider of services. The manufacturing sector is replaced by the service sector. This economic transformation also transforms the society as a whole. The focus of post-industrial society is on the changing nature of work and work relationships, increasing role of the scientists, engineers, doctors and technicians in the social order and the role played by theoretical knowledge in bringing about social change. Forces that lead to post-industrial society are rapid economic growth, maximum application of energy, use of knowledge and changes in the social structure. The emergence of post-industrial society changes the occupational structure with an increase in service sector workers.

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## 5.6. QUESTIONS

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1. Explain the features of post-industrialism.
2. Discuss post-industrial society as put forth by Daniel Bell.
3. Critically evaluate post-industrialism.

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## GLOBAL DIVISION OF LABOUR AND GLOBAL INEQUALITY

### Unit Structure

#### 6.0 Objectives

#### 6.1 Introduction

#### 6.2 Meaning of Division of Labour

#### 6.3 Durkheim on Division of Labour

#### 6.4 Global Division of Labour

#### 6.5 Global Inequality

#### 6.6 Summary

#### 6.7 Questions

#### 6.8 References

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### 6.0 OBJECTIVES

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1. To understand the global Division of labour
2. To learn about the Global Inequality

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### 6.1 INTRODUCTION

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This chapter would be very useful if you are planning to work in the field of labour studies, human rights, intending to pursue career with research areas like Industrial sociology, Human resources management, International relations etc. In this chapter you can expect to learn about global division of labour and Global inequality. Studying these topics is important as with Globalization all countries are interconnected in terms of mass culture, popular culture, trade and even climatic issues like global warming. In other words, any event in one country today effects another country. The recent Covid 19 pandemic is one such example. The energy, oil crisis with Ukraine, Russian, Palm oil ban from Indonesia prices also reveals how countries are interrelated. May be in the future, you may be also working with a Multinational company and even travelling outside India for onsite jobs. Hence, understanding the nature of working would help you to develop a perspective, opinion and conditions of work. Before learning about Global Division of Labour let us look into some scholars who already written about Division of a Labour like Emile Durkheim. Let us begin first by understanding the meaning of Division of Labour.

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## 6.2 MEANING OF DIVISION OF LABOUR

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The division of labour is the split in the work process into several tasks, each of which is done by a different individual or group of people. It is one of the core organisational concepts of the assembly line and is most often used in the systems of mass manufacturing. breaking labour down into basic repeated operations reduces needless motion and reduces the number of tools and parts that must be handled. Division of labour also helps in lower manufacturing costs and it helps also in producing less expensive end product. As a result, there is the reduction in production time and the opportunity.

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## 6.3 DURKHEIM ON DIVISION OF LABOR

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Durkheim the Classical Sociologist wrote about Division of Labour for the first time in his book titled 'The Division of labour in society: a study of the organization of the higher societies in the year 1893a1a .Rather than seeing Division of Labour as a result of specialisation due to desire for material abundance, Durkheim claimed that it resulted from changes in social structure induced by an anticipated natural rise in population number and density, as well as a proportionate increase in survival competition. Under these conditions, the division of labour served to hold civilizations togethera2a. Durkheim explains how the division of labor by creation of different jobs for specific people—benefits society by increasing a process's production capacity and the workers' skill set.

It also fosters a sense of solidarity among those who share those jobs. However, according to Durkheim, the division of labour serves more than just economic interests: it also promotes social and moral order within a society. He claims that "labour division can only be achieved among members of an already formed society." According to Durkheim, the division of work is proportional to a society's dynamic or moral density. This is characterised as a mix of a group's or society's population density and degree of socialisation. The book's central focus is the distinction between developing and advanced civilizations in terms of how they view social solidarity. According to Durkheim, there are two types of social solidarity: mechanical and organic solidarity. Mechanical solidarity establishes a direct link between the individual and society. That is, society is organized collectively, with everyone sharing the same set of responsibilities and essential ideals. The "collective consciousness," sometimes translated as "conscience collective," refers to a shared belief system that links the individual to society. Society, on the other hand, is more complex—a system of interconnected functions bound by defined ties. Each person must have a separate profession or activity as well as a different personality. Durkheim also pointed out that individuality grows as a part of the modern societya3a. The insights what Durkheim says about the modern society can be seen and connected very much with the modern day Globalization and multinational nature of work where work and tasks are divided not only within country but also outside the countries.



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## 6.4 GLOBAL DIVISION OF LABOUR

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The Global division of labour refers to a view of economic production as inherently transnational and depending on labour power situated in many locations. Global division has comparative advantage based on tasks and processes. The crisis of Fordism, which economic geographers have studied extensively, was a major contributor to the new worldwide division of labour. The division of labour brought about changes in business cultures and new politico-developmental in the economiesa4a.

- **History**

The Industrial Revolution decreased manufacturing prices dramatically in various part of the world throughout the 19th century, it created the possibility for a sharp worldwide division of labour. This further was achieved because of falling transportation costs and a generally flexible trade policy. North-western Europe, particularly the United Kingdom, exported manufactured goods and imported primary items, whereas Oceania, Latin America, and Africa mostly exported primary products. North America was a transitional case: its large natural resources predicted net exports of raw items, but with increasing industrialization the US moved to becoming a net exporter of manufactured goods right before WWI. The "vast specialisation" between an industrial north and a primary-exporting south, as Dennis Robertson (1938) put it, emerges in the 19th century. Some of the causes where simple like imbalanced technology advancement and a huge decrease in transportation costs.

- **Debate**

During the early phase of Global division of labour there was several debates going on like -should emerging countries rely on primary commodity exports to bring growth in their own country (this strategy succeeded for a number of countries in the late 1800s [Lewis, 1969, 1970]) Or should an outward-focused approach like the necessity governmental actions (such as import substitution measures) should be used to boost industrial production (assuming there are growth-promoting externalities in industry). Once the developing world acquired policy independence in the twentieth century, the way these discussions shaped policy decisions it also had a significant impact on regional growth experiences.

It should be noted, that with time several parts of the periphery were reindustrializing. The best-known example is Japan, but there was also rapid industrial growth, although from a low phase, while in several Asian economies, for e.g. in Korea, the Philippines, Taiwan, and parts of China too industrialization began. There was also rapid industrial growth in Mexico, Brazil, and the Latin American Southern Cone (Gómez Galvarriato and Williamson, 2009). The spread of industrialization across the developing world thus became one of the main features of 20th century economic growtha5a.



The new global division of labour allowed emerging nations to engage in previously unattainable industrial phases. Developed countries firms also saved a lot of money and increased their productivity by relocating manufacturing steps to low-wage nations. Offshoring has long been a popular technique in the manufacturing industry, and even in certain service industry. Service offshoring, which may include the offshoring of medium to high skilled tasks, is possible due to new forms of communication and storage (the internet), which allows for the rapid and secure transmission and delivery of codifiable output. Hence a call centre in India costs a quarter of what one would cost in the United States.

- **Challenges – Positive and Negative**

On the one hand, it appears that a new global division of labour is a positive development in general. On the other hand, it comes with it a degree of uncertainties that it might pose a serious threat to society and politics of the home and the other countries working together. People who have not previously been exposed to the pressures of globalisation, such as skilled employees, are often affected by the new global division of labour. These employees can become suddenly vulnerable and live in fear, that they may lose their jobs or see their pay fall behind those of their peers. With the present financial crisis and impending recession, popular support for globalisation has been reduced in the recent times specially post pandemic.

The Global Division of Labour is also effected directly by the composition of population. Germany, Japan, and the United States are among the advanced economies battling with ageing populations. Some emerging market economies, like China, are now in the same situation. However, the youth population is growing in the majority of developing economies. Some of these countries, like India, Indonesia, and Nigeria, will reach the apex of their demographic surge (more youth) in the next two decades, while others, like Angola and Zambia, are still in the early phases of the demographic revolution. India's 362 million young people, ages 15 to 29, outnumber the whole (total) population of the United States which is around 344 million in 2022a6a .a7a. At that time, the developed countries will be more in need of the developing countries youth. However, the skilled individuals would be in more demand. Hence, it is necessary for the developing countries to emphasis on vocational courses development and build courses according to the demand from industries.

### Check Your Progress

1. Which revolution decreased the prices of product in the 19<sup>th</sup> Century?

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2. Which population of India would be an asset if you used effectively?

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## 6.5 GLOBAL INEQUALITY

The study of global economic inequality is largely concerned with income disparities across countries or between individuals in the world. The former sort of inequality is known as "international inequality," and the latter is known as "global inequality." The literature focuses on additional dimensions of inequality among states and individuals, such as measures of wealth, disparities in life expectancy, and gender inequalities, while the predominant focus is on income measures, such as measures of per capita gross domestic product of countries.

The fact that there is a link between inequality and growth which sheds light on the important social and political consequences of inequality. The global disparity raises several concerns concerning the work of key international institutions. Political inequality, such as gaps in representation and voice even in international institutions, causes economic disparity. The topic of global disparities raises moral questions such as whether global inequality is important, what the rich should owe to the poor around the world, and if such duties should exist in the first place.

In discussing the rich's responsibilities to the poor, scholars emphasise many of the negative consequences of inequality, such as reduced social cohesion (power imbalances between the rich and the poor in international organisations, and the way inequality stifles the poor's political voice, both at home and abroad. There is also a heated debate about the interrelationship between inequality and violent conflict, such as civil wars and terrorism, as well as the extent to which poverty and inequality are linked to violent incidentsa8a.

Global inequality is increasing, although at varying rates throughout the world. Inequality is one of the most significant threats to global growth, communities, and the social fabric. National inequality is rising in both rich and developing countries. Inequality is on the rise practically everywhere in the globe, according to the first-ever World Inequality Report.

Due to limited or contradictory statistics that lacked trustworthiness, it was extremely difficult to compare inequality in different parts of the world earlier. However, in an attempt to close this gap, the World Inequality Report has been created and it is based on data gathered by over a hundred academicians from around the world who contribute to the World Wealth and Income Database.

Europe is seen as the world's least unequal area, with inequality increasing at a slower pace. Sub-Saharan Africa, Brazil, and India are in the bottom half of the table, with the Middle East being the most unequal.

Since 1980, growing inequality has occurred at various rates in most countries of the world. The top 10% share of income distribution determines how much of the nation's income is held by the top 10% of earners.

Inequality has stayed consistent in places where it had already reached dangerously high levels. In keeping with this tendency, we see that the Middle East is likely the most unequal area, with the top 10% of income earners capturing nearly 60% of the nation's income on a consistent basis.

Equality always poses ethical difficulties, even in Europe, where it is less pronounced. Many people in Western Europe, for example, do not earn a genuine living income while working long hours, frequently full-time. Furthermore, according to the inequality data, the top 10% of earnings in Europe as a whole still control 37% of total national income in 2016.

- **2022 World inequality report**

The richest 10% of the world population now receives 52% of global income, while the poorest half of the population receives only 8.5 percent. An individual in the top 10% of the worldwide income distribution earns €87,200 (USD122,100) per year on average, while those in the bottom half of the global income distribution earn €2,800 (USD3,920) per year on average.

Global wealth disparities are considerably greater than income disparities. The poorest half of the world's population owns only 2% of the world's total wealth. The richest ten percent of the world population, on the other hand, hold 76 percent of all wealth. The lowest half of the population possesses PPP €2,900 per adult (USD4,100), while the richest 10% hold €550,900. (or USD771,300) on average.<sup>a9a</sup>

- **Climate change**

To combat climate change, huge inequities in carbon emissions must be addressed. Global income and wealth disparities are linked to ecological disparities and differences in climate change contributions. Humans produce 6.6 tonnes of carbon dioxide equivalent (CO<sub>2</sub>) per capita per year on average. Our unique data set on carbon emissions disparities indicates significant inequalities in CO<sub>2</sub> emissions at the global level: the top 10% of emitters are responsible for over half of all emissions, while the poorest 50% contribute only 12%. Large disparities in emissions imply that climate strategies should focus more on the richest polluters. Climate initiatives, such as carbon taxes, have disproportionately impacted low- and middle-income groups while leaving the spending habits of the wealthiest groups untouched. (WRD, 2022)

- **Gender Inequality**

At the global level, gender disparities persist, and development within nations also exists gradual. The World Disparity Report 2022 discusses the worldwide gender wage inequality. It notes that women's share of total labour income, approached 30% in 1990 and now it stands at less than 35%. Women would earn 50% of total labour income in a society where gender inequality was eliminated. At the worldwide level, growth has been modest, and dynamics have varied among nations, with some registering gains and others witnessing decreases in women's share of wages (WRD, 2022).

- **Rising Economic Disparity**

Inequality has widened dramatically. While the top 1% income share was close to 10% in both areas in 1980, it climbed just marginally to 12% in Western Europe in 2016, and it arose to 20% in the United States.

When people are left behind or do not see any real change (or perhaps deterioration) in their living situations, they get frustrated. Rising economic disparity should be a topic of public discussion since it is a motivator for human behaviour. It has an impact on how we spend, save, and invest. For many, it affects whether or not they can obtain credit or send their children to a reputable school. This, in turn, may have an impact on economic growth, raising the question of whether unequal societies are economically efficient.

When it comes to the causes of rising income inequality, the analysis reveals that uneven ownership of national resources is a major factor. National wealth can be either publicly or privately held (for example, the worth of public schools, hospitals, and infrastructure) (the value of private assets).

Since 1980, nearly every country, wealthy or developing, has experienced massive transfers of public wealth to private hands. While national wealth has expanded significantly, public wealth in developed countries is currently negative or near zero. The United Kingdom and the United States, in particular, have the lowest levels of public capital.

Traditional perceptions of resource-rich economies have been that they are more prone to conflict or that their governance is more autocratic. Even certain resource-rich economies, such as "oil economies," are also severely unequal. Because natural resources are generally concentrated in the hands of a small group of people of rich people.

According to the World Inequality Report, the Middle East area may be even more uneven than Central and South America, which has long been regarded as some of the world's most unequal regions.

It needs to be observed that nations at similar levels of development have had varying patterns of growing inequality. This implies that national policies and institutions have the potential to make a difference. Three big rising economies' paths are instructive. China has experienced a moderate increase, and India has experienced a slow increase. Even more remarkable is the comparison between Europe and the United States: Western Europe continues to have the lowest concentration of national income among the top 10% of earnings.

It is necessary to reduce inequality in order to make society more equitable. We need equality for social stability, to have good quality of education and financial stability. It is also necessary to utilize human resources effectively for the betterment of nation and to develop morale of youth and all other population. Educational investment, Investment on Vocational Courses and developing opportunities would help in bringing growth and peace among youth and would even stabilize the inequality and income gap.

According to the United Nations, Inequality is not just in one form but multiple forms like Gender, age, origin, ethnicity, handicap, sexual orientation, class, and religion are all these aspects influence income inequalities. We need to acknowledge these various forms and work towards them. As these variables cause persistent disparities of opportunity within and across nations. These divisions are growing increasingly obvious in some regions of the world. Meanwhile, other sectors, such as online and mobile technology access, are also showing gaps in technology and accessibility inequality. Hence, the 2030 Agenda for Sustainable Development's rallying slogan is "Leave no one behind."

Inequalities exist inside communities and even among families. Disparity within households accounts for up to 30% of income inequality. Progress is unequal when it comes to women and girls. In many instances, gender disparities are narrowing - for example, the wage difference between men and women in some occupations has narrowed in recent decades. At the same time, women and girls perform 12.5 billion hours of unpaid care labour every day, contributing at least \$10.8 trillion to the global economy each year, more than three times the size of the global IT sector.

Discrimination, marginalisation, and a lack of legal rights continue to plague indigenous peoples, migrants and refugees, and ethnic and other minorities. This is widespread in both developing and industrialised nations, and it is unrelated to income. For example, while worldwide social protection has been greatly expanded, people with disabilities are up to five times more likely than the general population to face catastrophic health costs.

Inequalities in opportunity have an impact on a person's life expectancy and access to essential services including healthcare, education, water, and sanitation. Discrimination, abuse, and a lack of access to justice can all be used to limit a person's human rights. In 2018, the world's freedom fell for the 12th year in a row, with 71 nations seeing net decreases in political and civil rights. There are issues like climate change, technology and urbanization due to which the poor are further marginalized.<sup>10a</sup>

- **Inequality and Covid-19 epidemic.**

The biggest growth in the number of billionaires in history was during the Covid Pademic. In Covid-19, the wealth of the world's small elite of 2,755 billionaires climbed more than in the previous fourteen years combined. This is the greatest year increase in recorded history. It's occurring all across the world. Stock market bubbles, an increase in unregulated businesses, monopolistic power and privatisation, as well as the loss of individual corporate tax rates and employee rights and compensation, are all significant causes. A new billionaire has been born every 26 hours since the pandemic began.

The great majority of individuals living in poverty, women and girls, racialized, disadvantaged groups, were disproportionately affected by inequality. The Covid-19 epidemic, resulted in a significant increase in global poverty. More than 80% of the vaccinations were sent to G20 countries, in which fewer than 1% reaching low-income countries. This vaccine unequal distribution killed millions of lives and further created global disparities. Studies also point out that the poorest individuals in some nations were approximately four times more likely to die than the richest to die from Covid-19<sup>11a</sup>.

### Check Your Progress

1. Discuss global inequality with reference to gender.

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2. Discuss global inequality with respect to Climate change.

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## 6.6 SUMMARY

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In this chapter we tried understanding the global division of labour its history, how developed countries used the raw materials of the developing countries. With time, how developing countries also became industrialized. The growth of Multinational companies with Globalization also spread out to other countries for cheaper labourers. The second section of the chapter discusses about Global inequality. Global inequality in today's time is not just economic inequality but climatic, crisis period like Covid 19, gender equality.

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## 6.7 QUESTIONS

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1. Write a note on Global Inequality with during Pandemic Covid 19
2. Discuss the rise of economic disparity in terms of global inequality/.
3. Discuss the debate connected to Global Division of Labour.
4. Write a note on the challenges of Global Division of Labour.

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## WORK AND AUTOMATION

### Unit Structure

- 7.0 Objectives
- 7.1 Introduction
- 7.2 Blauner and Automation
  - 7.2.1 Critique
  - 7.2.2 Check your progress
- 7.3 Harry Braverman and Deskilling
  - 7.3.1 Critique
  - 7.3.2 Check your progress
- 7.4 Let us sum up
- 7.5 Questions
- 7.6 References/ Additional readings

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### 7.0 OBJECTIVES

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- To understand the concept of Automation and understand its effects
- To critically evaluate contribution of Robert Blauner
- To acquaint students with concept of Deskilling
- To evaluate contribution of Harry Braverman on Deskilling

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### 7.1 INTRODUCTION- AUTOMATION

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Automation is a new form of industrial technology. The relationship between technology and work is of interest to sociologists. The original industrial revolution saw the substitution a machine power for manpower. The second industrial revolution, which has been named automation by John Diebold is based on the principle that the human operator can be eliminated from the production cycle as an essential link in getting work done. Human operators will be replaced in work operations that are already mechanised. The concept of automation, or programmable machinery, was introduced in the mid-1800's, when an American Christopher Spencer invented the Automat, a programmable tool that made screws, nuts and gears.

As industrialization has progressed, technology has assumed an ever-greater role at the workplace - from factory automation to the

computerization of office work. The current information technology revolution has attracted renewed interest in how technology affects work and workers. The extensive use of Internet, email, teleconferencing and e-commerce are changing the way in which companies do business. Though technology helps in greater efficiency and productivity it also affects the way workers experience work.

The impact of automation became greater with the development of robots-automatic devices that perform functions ordinarily done by human workers. The spread of automation provoked a debate among sociologists and experts in industrial relations over the impact of the new technology on workers, their skills and in their level of commitment to their work.

Automation of industrial production affects work behaviour and has consequences for the labour force.

- It will lead a creation of the new specialist.
- The need for much higher skills will have an impact on educational institutions with increased focus on obtaining formal and specialised skills to enter industry.
- Retraining of the displaced workers will constitute a major problem for the total economy.
- It may alter the composition of workforce where there could be assignment of work based on gender.
- Areas of more recent economic growth will be favoured by automation.

Automation will also change the management functions where top management decision making will become more complicated and more rational. Recruitment and background of managers will change. Supervisory functions on the management at the middle and lower levels will become more standardised. Manager's interests will broaden beyond the present emphasis on production and distribution. The upgrading of the labour force that automation promises will raise average wage levels.

Automation has important effects on collective bargaining. Automated production need to new types of workers. This creates problem for labour unions in terms of membership, recruitment of more and better trained people, many of whom will have a self-image of a professional. The issues of collective bargaining and their methods of resolution will also be modified. The power of unions and the membership to face management will increase due to automation. The issue of working hours and working days will become more significant.

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## **7.2 WORK AND AUTOMATION- CONTRIBUTION OF BLAUNER**

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In his famous work titled *Alienation and Freedom* (1964), the American sociologist Robert Blauner examined the experience, behaviour and attitudes of manual workers in four different industries-the printing, textile,

automobile and chemical industries- with changing levels of technology. He saw production technology as the major factor influencing the degree of alienation that workers experienced.

Borrowing ideas of Emile Durkheim and Karl Marx, Blauner operationalized the concept of alienation and measured the extent to which workers in each of the industry experienced it.

Blauner defined alienation as consisting of different objective conditions and subjective feelings and state. Objective conditions refer to the technology employed in particular industries. Subjective feelings and states refer to the attitudes and feelings that workers have towards their work.

Blauner claimed that different forms of technology produced different attitudes towards work and therefore varying degrees of alienation. Blauner divided the concept of alienation into four dimensions:

1. The degree of control workers have over their work.
2. The degree of meaning and sense of purpose they find in their work.
3. The degree to which they are socially integrated into their work.
4. The degree to which they are involved in their work.

In terms of these four dimensions the alienated worker has a sense of powerlessness, meaninglessness, isolation and self-estrangement.

### **Craft technology**

Blauner first examined the printing industry arguing that it typifies preindustrial craft technology. The printing industry had the highest level of job satisfaction.

1. According to Blauner in terms of the four dimensions of alienation workers had control over their work and hence did not experience a sense of powerlessness since work was done by hand rather than the machine. Worker was largely free from external supervision.
2. Printing did not involve a highly specialized division of labour or a specialized product. These factors contributed to the relatively high degree of meaning and purpose printers found in their work.
3. The printer identified with the craft and other craft workers due to the nature of printing technology. Print technology encouraged printers to improve their skills and take pride in their work. Printers were not socially isolated.
4. Due to the control over their work the meaning workers found in their work and their integration into an occupational community, printers did not experience self-estrangement from work.

### **Mechanisation- Textile industry**

The textile industry was typical of the early stages of industrialization.

1. Textile workers experienced a sense of powerlessness. Their tasks were routine and repetitive.

2. Production technology in textiles provided little opportunity for meaning and purpose in work. The product is standardized with the worker performing few routing operations. The work involved little skill and variety and the individual workers contribution to the finished product was small. This largely prevented workers from taking pride and deriving a sense of purpose from their work.
3. Blauner argued that the objectively alienating nature of textile technology should result in textile workers feeling isolated and self-estranged. However, this was not the case. Blauner explained it in terms of community setting of the industry. The workers lived in close-knit communities, united by the ties of kinship and religion.
4. The majority of the adults worked in the textile mills, and they felt a part of the industry because they were part of the community.

### **Assembly line production- Automobile industry.**

1. Blauner argued that alienation was found in extreme form in the assembly line production in the automobile industry. The workers found the jobs dull and monotonous. Workers had little control over their work. The line determined the speed of work and there was little freedom of movement. They experienced a sense of powerlessness.
2. Mass production on assembly lines afforded little opportunity for experiencing meaning and purpose in work. The product was standardized, the work was repetitive and the tasks were segmented-broken down into their simplest components, with each worker specialising in small number of operations.
3. Workers on assembly lines were socially isolated and did not feel a part of the company for which they worked. They were tied to assembly line working as individuals rather than in groups. They had little opportunity to socialise with the fellow workers. Unable to identify with the product or with a particular skill they did not form communities like craft printers.
4. Assembly line technology produced a high level of self-estrangement. In fact, many workers felt hostility towards their work. The only aspects of the job that were liked were levels of pay and security of employment. The high degree of alienation produced an instrumental attitude to work- work was simply a means to an end. Hostility and instrumental approach to work accounted in part for the relatively high levels of strikes and unrest in the automobile industry.

### **Automation- Chemical industry**

Blauner finally examined work in the chemical industry, which involved the most recent developments in production technology. The oil and chemical industries employed automated continuous- process technology whereby the raw materials entered the production process, the various stages of manufacture were automatically controlled and conducted by the machinery and the finished product emerged untouched by the human hand.

1. Although the product was manufactured automatically, the worker had considerable control over and responsibility for production. Work in the chemical plants involved monitoring and checking control dials which measured factors such as temperature and pressure readings indicated whether or not adjustments had to be made to the process. Blauner stated that these decisions required discretion and initiative. There was considerable variety in work. In direct contrast to assembly line workers, the workers in chemical industry did not feel like they were controlled or dominated by the technology.
2. The emphasis on responsibility restored meaning and purpose to work and was an important source of satisfaction and accomplishment. The workers could see and appreciate their contribution to the finished product. Their sense of purpose was increased by the fact that process workers operated in teams with collective responsibility for the smooth running of the machinery. This encouraged the worker to be part of the overall production process.
3. The worker did not experience social isolation. The integration of maintenance and repair workers into a team and movement around the factory floor integrated the workforce. Both workers and management were concerned with trouble free operation of production machinery and this led to consultation of workers with supervisors, engineers, chemists and other specialists. This integration of the workforce also has important consequences for the industrial relations.
4. Since the process workers were non-alienated regarding the first three dimensions of alienation, they were involved in their work. Blauner claimed that process work provided workers an opportunity for growth and development. He concluded that 'since work is a continuous process industry involves control, meaning and social integration, it tends to be self-actualising instead of self-estranging'.

### 7.2.1 Critique

1. From a Marxist perspective Blauner ignored the root cause of alienation- the objective position of the worker in the relations of production in a capitalist economic system. From this perspective, the printer and the process worker are just as alienated as the assembly line worker. All are exploited wage labourers.
2. His questionnaire data has also been criticised since it is difficult to measure the alienation of workers through interpretation of questionnaire.

### 7.2.2 Check your progress:

1. What is automation?

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2. How will automation affect the management and workers?

Work and Automation

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3. According to Blauner in which of the industries was worker the most alienated?

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4. Critically evaluate Blauner's contribution to automation.

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### **7.3 HARRY BRAVERMAN ON THE DEGRADATION OF WORK IN CAPITALIST ECONOMIES**

Blauner's work argued that automation could help to reduce feelings of alienation. This argument was rejected by American Marxist political economist Harry Braverman, in his influential book *Labor and Monopoly Capital* (1974), which explained automation and Fordist methods of production and management as part of deskilling of the workforce.

Braverman's work was influenced by the ideas of Marx's theory of alienation that argued that advancement in technology had the intention of controlling labour. Braverman argued that automation along with Taylorist management methods increased workers' alienation from the production process and deskilled the industrial labour force.

He argued that by breaking down complex skilled work into simple unskilled tasks, new technology could replace workers. It also enabled the managers to exert more control over the workforce by breaking up the labour process into specialized tasks.

In modern industries and offices, the introduction of new technology contributed to the degradation of work by limiting the need for creativity and reducing individual worker to a non-responsive, unthinking machine

capable of endlessly carrying out the same unskilled task. The main intention of businesses to invest in technology was to either replace workers or make them work faster.

Thus, deskilling meant the process through which the skills of workers are downgraded and deteriorated or, over time, eliminated, and taken over by machines and/or managers. Braverman argued that technological development rather than being neutral or inevitable are introduced and developed to serve the needs of the capitalists. Moreover, the social class determined how such machinery was used.

By “deskilling” work, and “degrading” work in general, employers take the management of production away from the workers, and with it the value it creates. The value is appropriated by the employers and managerial class increasing exploitation of workers.

Braverman argued that since the late nineteenth century there emerged the period of 'monopoly capitalism'. Smaller firms gradually were either merged or driven out of business by larger companies creating monopolistic businesses that provided technicians, scientists and managers whose task was to find better and more effective ways of controlling workers.

Braverman disagreed that technological development and automated processes necessitated better educated, better trained and more involved workforce. In fact, he argued that though average skill levels may be higher than in the past it conceals the fact that workers have actually been largely deskilled. The more scientific knowledge is integrated into the labour process, the less the workers need to know and the less they understand about the machine technology and the process itself. Instead, the division widens as the control over the workers by the managers increases. Braverman saw monopoly capitalism as a stronger form of capitalism that would be much more difficult to destabilise.

### **7.3.1 Critical points**

Several objections have been raised to Braverman's thesis.

1. He overstates the spread of Taylorism, assuming that it will become the dominant form of management.
2. He underestimated the power of workers to resist Taylorism.
3. He has overlooked the gender dimension. Some feminists have argued that the thesis is focused on male workers and fails to explain women's oppression.
4. He does not provide an adequate account of changing family structures and their impact on working life.
5. Braverman's thesis of deskilling tends to romanticize craft-based forms of production, which are then contrasted with modern mass manufacture.



### 7.3.2 Check your progress:

1. Explain the meaning of deskilling.

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2. How does deskilling lead to degradation of work?

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3. Critique the deskilling thesis of Braverman.

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## 7.4 LET US SUM UP

Automation as a new form of industrial technology is of interest to sociologists. Increased industrialisation, automation and computerization has changed the way work is done as well as the way in which workers experience work.

Blauner in his work *Alienation and Freedom* based on his study of four industries concluded that workers on the assembly lines were the most alienated of all and levels of alienation were comparatively lower at work places that used automation. He argued that as industries move from craft to mass production alienation increases, but as they move further to fully automated process production, alienation declines. He concluded that automation reversed the trend towards increased worker alienation. Positively automation helped in integrating the workforce and gave workers a sense of control over their work not found with other forms of technology.

In *Labor and Monopoly Capital*, Braverman contended that the implementation of scientific management resulted in the deskilling and routinization of tasks performed by blue-collar workers in factories as well as those completed by lower-level white-collar professionals employed in offices. Deskilling of labour was caused by the monopoly of the employer and managerial class had on the knowledge and control of the industrial

processes and mechanization of production. The control was accomplished through fragmentation of tasks and increased supervision of labourers. The consequences of deskilling are that workers are easier to control and can also be easily replaced as they do not have to utilize intellectual ability and creativity but have to follow managers' instructions in carrying out their work tasks. Moreover, deskilled employees can be paid less wages. Finally, from the perspective of the employees', the deskilling process leads to the performance of work which is viewed as being less intellectually and emotionally satisfying.

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## 7.5 QUESTIONS

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1. Critically evaluate the contribution of Blauner to Automation and Work.
2. Discuss the degradation of work in capitalist economy as discussed by Braverman.
3. What is automation? How does it affect management and workers?
4. What are the four dimensions of alienation as studied by Blauner?
5. Critically evaluate the deskilling thesis as put forth by Braverman.

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## 7.6 REFERENCES/ADDITIONAL READINGS

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## EMERGENCE OF SERVICE SECTOR

### Unit Structure

#### 8.0 Objectives

#### 8.1 Introduction

#### 8.2 Meaning of Service Sector

#### 8.3 Beginning of Service Sector

#### 8.4 Emergence of Service Industry in Western countries

#### 8.5 Reasons for Emergence of Service Sector

#### 8.6 Service Sector in Post Millennium

#### 8.7 Trends in the Service Sector

#### 8.8 Different aspects connected to Service Sector

#### 8.9 Summary

#### 8.10 Questions

#### 8.11 References

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### 8.0 OBJECTIVES

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- To understand the emergence of service sector
- To learn about different aspects of service sector like

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### 8.1 INTRODUCTION

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In this chapter, we are going to learn about the emergence of Service Industry. This topic would be useful if you are planning out a career as a Labour officer or in the future if you have plans to enter professions like human resources management, Urban sociology, Industrial psychology, Industrial relations, Industrial sociology etc. There are also chances whereby in the future you may be working with the service industry too, directly or indirectly or even researching about it. In this chapter you can expect to learn about meaning of service industry, theories and further looking its location in the World and then narrowing it down to India.

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### 8.2 MEANING OF SERVICE SECTOR

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The term "service" might refer to a service product or companies that specialise in such items, it is also used as a expressions and has a diverse connotations like human being directly rendering some form of work to

another individual. There are three sectors in any economy. Primary sector (extraction such as mining, agriculture, and fishing), secondary sector (manufacturing), and tertiary sector (service sector). Economies tend to grow along a developmental path that begins with a large emphasis on primary sector then, it progresses to manufacturing, and eventually to a service-based structure.

The service industry is a sector of the economy that produces services rather than tangible goods. All economic activity is divided into two basic categories by economists: goods and services. Agriculture, mining, manufacturing, and construction are all goods-producing businesses that produce physical goods. Banking, communications, wholesale and retail trade, all professional services such as engineering, computer software development, and medicine, nonprofit economic activity, all consumer services, and all government services, including defence and administration of justice, are all examples of service industries. Developed countries have an economy that is dominated by services. The majority of people in developing nations work in basic industries like agriculture and mining (Britannica).

Transportation, hotel restaurants, real estate, arts, entertainment, health insurance services, education, and telecom services are all examples of intangible products produced by the service industry. This industry accounts for roughly 60% of India's GDP. Out of which the financial services industry has made a significant contribution in this area.

Service sector involves providing services to businesses as well as final consumers. Services may involve transport, distribution and sale of goods from producer to a consumer it could be wholesaling, retailing, or may involve the provision of a service, such as pest control or entertainment. Goods may be transformed in the process of providing a service. For example – In the restaurant industry or for an equipment repair. However, the focus is on people interacting with people and serving the customer rather than transforming physical goods.

The service sector consists of the soft parts businesses of the economy such as insurance, government, tourism, banking, retail, education, and social services. In soft-sector employment of people is for deployment of knowledge assets, collaboration assets, and process-engagement to create productivity, effectiveness, performance improvement potential and sustainability.

The introduction of technology has also benefited the service industry's development. According to a survey by Boston Consulting Group (BCG) and Google, almost 75% of insurance plans sold by 2020 is impacted by digital channels in some manner during the pre-buy, purchase, or renewal stages.

## Check Your Progress

1. What field introduction has benefited the service sector immensely?

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2. List out the countries in where service sector emerged initially.

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### 8.3 BEGINNING OF SERVICE SECTOR

There is no specific period when we can say that services grew as services have existed since times immemorial. Yet the informal beginning stage of services can be seen in the field of Agriculture, where farm workers worked in other farms to earn some income –here the farm workers are providing their services. In several villages the labourers have been providing his/her services to landlord in exchange for stay of food, accommodation and some income (informal sector). People have been visiting since ages to different pilgrim sites (what we call as in modern day as tourism). At the home front women have been working every day– providing unpaid services at home (household work). In the barter system too – services are exchanged. Soldiers have been providing their services to the nation, Doctors, Teachers too. However, post the manufacturing business collapse and the growth of IT industry, BPO, KPO and New Economic policy of 1991 in India, the services were formalized into as a industry and mass population got involved with it as consumers or as employees. Hence, post 1991 we can say that the service industry in India grew rapidly.

### 8.4 EMERGENCE OF SERVICE SECTOR IN THE WEST

Agriculture centred economic civilization continued until at least the mid-eighteenth and nineteenth centuries. Though this does not hold true for all economies specially with undeveloped countries places. In the nineteenth century, the Industrial Revolution, began in the United Kingdom in the 1860s and spread to France, Germany, Russia, and other European countries before reaching the United States and Japan. It ushered a new era of industrialization of the world economy further ruled by these countries, in which the conventional farming economy was gradually replaced by the new industrial economy. Since the United States became the first country

to migrate to a "service economy" in the mid-twentieth century, other countries, particularly wealthy ones, have followed the same suit. This has started the world economy's tertiarization process. Tertiarization means a shift from the primary and secondary based sectors to that of tertiary sector.

During the twentieth century, the fraction of the global economy allocated to services increased steadily. For example, the service sector in the United States accounted for more than half of GDP in 1929, two-thirds in 1978, and more than three-quarters in 1993. With time, Service sectors accounted for more than three-fifths of global GDP and employed more than one-third of the global workforce in the early twenty-first century <sup>6</sup>. In the 1950s, the service sector accounted for more than half of the US economy, according to academics. Some economists even – began to investigate the features of services and tried to apply some of the notions that had been developed previously created and tested in the industrial industry.

With time the service industry expanded dramatically in practically every industrialised country in the second half of the twentieth century, with the United States leading the way. By 2000, services accounted for about 80% of all jobs in the United States. Several things contributed to this fast expansion, including changing population behaviours, deregulation, and new and better infrastructure, particularly the highway system. New technologies are widely available.

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## 8.5 REASONS FOR EMERGENCE OF SERVICE SECTOR

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The tale of humanity's economic society's growth is both vital in fact and fascinating in theory. However, the contemporary service economy, varies from the industrial and agricultural economies in many ways, including output and employment structure, input structure, and international interactions, specialised division of labour, innovation, and demand-induced processes are all important in the modern economy's growth of the service industry. Agriculture, industry, and services are all customers of producer services, although in the field of manufacturing it is the more prominent with industrialization stage of development.

The service industry overall tendency was from internalisation to externalisation, or, alternately, from non-marketization to marketization. This was the first process driving the growth of the service industry. However, the trade-off between specialised efficiency and transaction costs affected this evolutionary trend (Yang and NG 1993).

Earlier services were often provided in-house by users such as families and businesses in the early phases of economic growth, which had lower degrees of marketization and greater market transaction costs. As the economy becomes more marketized and transaction costs fell, numerous independent market agents arose to provide services such as accountancy, marketing, consulting, logistics, and housekeeping.

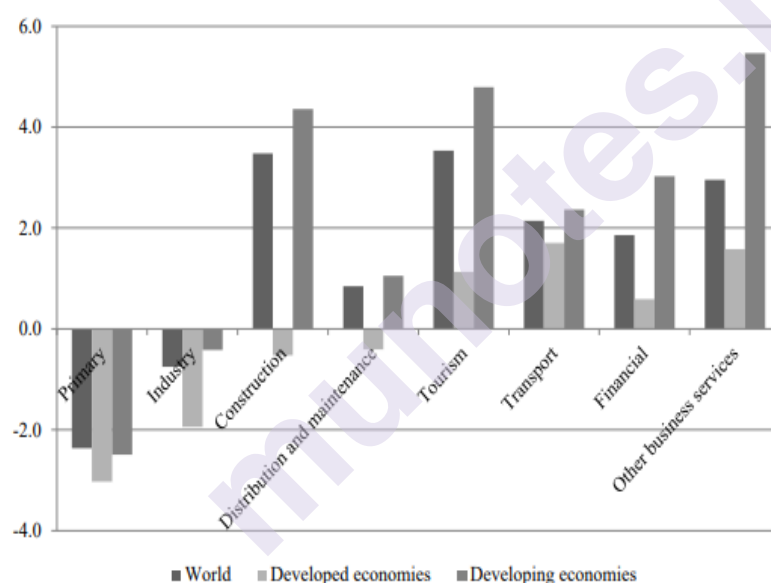
Rather than self-service, the needs for services were met by purchasing a variety of services through marketplaces. Although the distinction between

those provided in-house (i.e., in-house services) and those obtained through market transactions (i.e., transacted-through-market services) still continues, this has the effect of increasing the choice of supplier for firms and families that rely primarily on internal provision of services, and thus has profound economic implications. Service sector also brings greater amount of foreign exchange for example – tourism, medical tourism, hotel industry etc. With the emergence of Service Industry, Harvard School made it a subject/ discipline for study.

## 8.6 SERVICE SECTOR IN THE POST MILLENNIUM

Services since the mid-2000s, even throughout the 2008–2009 recession, have been the primary source of employment in many countries. Even during the global financial and economic crises from 2001 to 2016, the importance of the worldwide job market rose in the construction, tourism, and other commercial services sectors even in emerging markets.

**Annual change in employment distribution in selected sectors by income level, 2001–2016**  
(Percentage)



Source: UNCTAD secretariat calculations, based on ILO, 2017.

## 8.7 TRENDS IN SERVICES SECTOR

In 2015, developed economies, including the United States and nations in Europe, such as Germany and the United Kingdom of Great Britain and Northern Ireland, as well as developing economies, such as China, were the leading worldwide exporters and importers of services. The top 10 exporters accounted for more than half of all worldwide services exports, while the top 10 importers followed suit, demonstrating heterogeneity in the makeup of big services exporters.



**Main exporters and importers of services, 2016**  
(Millions of dollars and percentage)

<i>Main services exporters</i>	<i>Value of services exports</i>	<i>Share of global services exports</i>	<i>Main services importers</i>	<i>Value of services imports</i>	<i>Share of global services imports</i>
United States	752 411	15.6	United States	503 053	10.7
United Kingdom	327 176	6.8	China	453 014	9.6
Germany	272 738	5.6	Germany	312 074	6.6
France	236 760	4.9	France	235 679	5.0
China	208 488	4.3	United Kingdom	198 653	4.2
Netherlands	179 776	3.7	Ireland	191 939	4.1
Japan	173 821	3.6	Japan	184 710	3.9
India	161 845	3.3	Netherlands	169 458	3.6
Singapore	149 642	3.1	Singapore	155 581	3.3
Ireland	146 678	3.0	India	133 710	2.8
<b>Total</b>	<b>2 609 334</b>	<b>53.9</b>	<b>Total</b>	<b>2 537 870</b>	<b>53.9</b>

The above data shows how the service industry has been in greater number in the different countries.

- **Market Size -**

In the Financial year 2013, India's banking assets were US\$ 1.8 trillion, and by the financial year 2025, it is estimated to reach US\$ 28.5 trillion. According to a joint analysis by CII and EY on Pensions Business in India, the investment corpus in India's pension sector might reach US\$ 1 trillion by 2025, due to adoption of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013. On the strength of rising investment in areas like cloud and artificial intelligence, the IT and Business Services market is predicted to rise at a CAGR of 7.18 percent between 2020 and 2025, reaching almost USD 19 billion by the end of 2025. The service sector contributes nearly 50 percent of the GDP. The contribution of service sector in India is immense this can be seen from the fact that during the first half of the year 2021-22, the service sector has received over During the first half of 2021-22, has received over US\$ 16.7 billion of foreign direct Investment , which is nearly 54 per cent of the total FDI inflows into India. The start-up culture in India has grew rapidly from just 733 in 2016-17 to over 14,000 in 2021-22. India has surpassed the United States, China as the world's third largest start-up ecosystem. In addition, in 2021, a record 44 Indian firms will have earned unicorn status. The majority of India's unicorns are in the services sector, bringing the total number of unicorns to 83.

### Check Your Progress

1. Discuss two patterns connected to Service Sector

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2. Discuss how service sector was effected during pandemic.

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## 8.8 DIFFERENT ASPECTS CONNECTED TO SERVICE SECTOR

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- Patterns in the emergence of service Sector

Miles (2010) notes several patterns in emergence of service industry like –

1. R&D businesses that give assistance to a variety of other current service industries, whether small or large, based on technology or marketing.
2. Creative sectors such as advertising and design, as well as workers with specialised expertise in these fields.
3. Neo Industrial pattern, which includes consultancies and think tanks that use innovation to address issues by providing services to manufacturers.
4. Larger service-oriented enterprises, such as airlines, hotel chains, and stores, exhibit the Organized Strategic Innovation Pattern. Marketing groups, project management
5. An entrepreneurial pattern comprises start-up businesses that employ technology to market their products, provide online services, or even create big breakthroughs.
6. The Artisanal Pattern may be found in a variety of smaller-scale, low-tech physical (“operational”) services.
7. Electronic trading has been standardised thanks to the Network Pattern. These businesses also have franchising opportunities. A uniform pattern may be seen.

- **Approaches related to Service Sector**

- Assimilation approaches—The primary concept here is that the majority of economic characteristics of service sectors are fundamentally comparable to those of industrial sectors.
- Demarcation techniques —claim that service activities are separate. They may still be poorly understood, but it is obvious

that they have dynamics and characteristics that necessitate fresh theories and tools in many ways.

- Synthesis techniques - acknowledge that service studies bring up concerns that need to be addressed. (Miles, 2010).

- **Institutional view of Service Sector**

India's capital market is one among the most active in the world with second largest population. Although there are still obstacles to overcome, even though the sector's future appears bright. The Indian government has initiated several measures to liberalise, regulate, and improve this business.

The United Nations Conference on Trade and Commerce (2017) notes that the service sector and commerce have the capacity to bring about structural change in support of the 2030 Agenda for Sustainable Development. They can be even viewed as the new frontier for developing nations, and even a tool which would help in integrating developing countries into the global services economy has developmental implications. This developmental potential of services should be recognised in national policies and regulatory measures, as well as global and regional trade policy collaboration. The increasing services sector has generated enormous opportunities for structural transformation, particularly as a result of disruptive technologies and the digital economy. As it offers crucial inputs to other products and services, the industry contributes to productivity and economic growth. (UNCTAD).

- **Quality Manufacturing vs. Service Industry.**

The rise of the service economy has increased the relevance of quality concerns, which are no longer limited to manufacturing but are increasingly applied across all service sectors. Today, we talk about quality not just in terms of products or services, but also in terms of quality of life and quality of the environment. As a result, manufacturing companies may provide a wide range of customer and after-sales services. Service industry also thrives on innovation in the business, the greater the innovation, quicker the innovation quicker the business. For example- The Trend of the recent times is to reduce plastic, using eco-friendly material in order to reduce climate change. So, service industry-based companies which cater to these areas are more in demand, receive higher grants etc. The case is different with that of the traditional manufacturing business which uses heavy machineries. Even if there is innovation there would be not easy to implement it as any mistake would cost loss.

Let us take the example of Photographs – Kodak was ruling the photograph industry with its camera, however, with the digital camera coming into picture, the company did not change itself with time, it lost its market and even went to loss. Same was the case with Nokia

phones where the button phones, was replaced by touch phones and smart phones. This process is also called as disruptive technology.

Because most service internationalization takes the form of investment, franchising, and partnerships rather than traditional exports, service "trade" research must pay more attention to these modalities of presence. Intangible and non-storable products, as well as high levels of contact with customers (to the point that customers are sometimes considered as "coproducing" services), are distinguishing characteristics of services (Miles, 2005).

- **Pandemic and Service Sector**

The Pandemic brought a massive change in the traditional working pattern of 9-5 jobs. In the post Covid times and during Covid the freelance professionals have grown up massively. As people now want flexible work hours, comfort of place, freedom to move. With digitalization they could be working for a United States company sitting in a mountain in Naintal. There platforms like Freelancer. Com, fiber.com where freelancers find their job or even through referral of their own network that people have built while being in a full-time job.

During pandemic the service industry was the most effected one as there was no tourists, hotels were shut down, except hospitals and essentials all other industries were shut down. Online mode was more preferred and promoted so, all those businesses which operated in person small shopkeepers were also affected as people where purchasing from online platforms like Amazon. Once, used to this platform people get habituated to it and continue through the online platforms. During pandemic when the in-person hotel visits were shut down some hotels got their business through listing themselves in platforms like Zomato and Swiggy. Skills selling through online – Ecommerce platforms like – language teaching English, programming language teaching, online counseling, dance, teaching yoga and a range of service businesses became online and were advertised through YouTube advertisements Instagram. Classes were conducted freely through platforms like google meet, zoom etc.

- **Contradictions in Service Sector**

The influence perceived by service users frequently contradicts the effectiveness of service providers in providing services. The doctor-patient dispute is one example. Assume you went to the doctor. If the doctor spends more time inspecting and consulting with great care, you will feel better; otherwise, you will feel worse. A doctor who spends less time with each patient will be able to manage more cases and hence perform more efficiently. However, such great efficiency would make patients feel quite uneasy. As a result, a healthy growth of the service sector requires striking a balance between efficiency (on the supply side) and impact (on the demand side), rather than overemphasising the former while disregarding the latter. (Cheng, D, 2013)

- **Demand for Service**

With the rise of the disposable income among people and the people and also due to the rise of income several service-based industries have risen up. Higher the efficiency greater the demand and larger the profit. The growth of consumerism and convenience, comfort has also led to growth of service-based business. For example – Zepto, is an online application which delivers food- vegetables, essentials at door step within 20 minutes, Home based services are now becoming professional like Urban clap which provides services from plumbing, electrician to beauty parlor services at door step, the entertainment industry like Netflix or any OTT applications are providing services at the comfort of home. Even gold is sold at door step, or even gold loan or loans are given at door step.

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## 8.9 SUMMARY

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In this chapter we began with understanding the meaning of Service which could be seen as something is being performed in exchange of money or even an kind of work which is given after the manufacturing of a product like after sales service. human being directly rendering some form of work to another individual. There are three sectors in any economy. Primary sector (extraction such as mining, agriculture, and fishing), secondary sector (manufacturing), and tertiary sector (service sector). Economies tend to grow along a developmental path that begins with a large emphasis on primary sector then, it progresses to manufacturing, and eventually to a service-based structure. The service sector has existed since long however, in the West we can locate its emergence in the developed countries namely United States and later spread across all over globe. In India the formal recognition of service sector can be seen with the New Economic Policy, 1991. During the pandemic the service sector had massively been affected specially sectors like Tourism, Hotel industry etc.

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## 8.10 QUESTIONS

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1. Discuss the emergence of Service Sector in the West.
2. Write a note on different aspects connected to service sector
3. Discuss reasons for emergence of service sector.

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Note – In the chapter Service Sector and Service Industry has been used interchangeably conveying the same meaning.

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## INDUSTRIAL RELATIONS AND TRADE UNIONS

### Unit Structure

- 9.0 Objectives
- 9.1 Introduction- Industrial relations
  - 9.1.1 Three actors of Industrial relations
  - 9.1.2 Importance of Industrial Relations
  - 9.1.3 Methods to resolve industrial disputes
  - 9.1.4 Factors of Industrial Relations
  - 9.1.5 Functions of Industrial Relations
  - 9.1.6 Conditions for Congenial Industrial Relations
  - 9.1.7 Check your Progress
- 9.2 Trade Unions- Meaning and Definition
  - 9.2.1 Why do workers join trade unions?
  - 9.2.2 Characteristics of Trade Union
  - 9.2.3 Functions and Role of Trade Unions
  - 9.2.4 Problems of trade unions in India
  - 9.2.5 Check your progress
- 9.3 Let us sum up:
- 9.4 Questions
- 9.5 References/ Additional readings

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### 9.0 OBJECTIVES

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- To understand the concept of industrial relations and its importance.
- To explain the functions of industrial relations.
- To understand the role of trade unions, its importance and functions.
- To acquaint students with the problems of trade unions in the Indian context.

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### 9.1 INTRODUCTION

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#### Industrial relations.

Any work organization involves interaction between workers and management. The concept of industrial relations means the relationship between employees and management in the day to day working of the



industry.

According to Dale Yoder, Industrial Relations refers to the relationship between management and employees, or employees and their organization that arise out of employment.

According to International Labour Organisation, industrial relations deal with the relationship between the state and employer and workers organizations or the relationship between the occupation organizations themselves.

J.T. Dunlop defines industrial relations as “the complex interrelations among managers, workers and agencies of the governments”.

Industrial relations are the outcome of employment relationship in an industrial enterprise. Industrial relations cover various aspects of the employment relationship, including human resource management, employee relations, and labour relations. It involves developing skills and methods of adjusting and cooperating with each other. The important factors of industrial relations are employee and their organizations, employer and their associations and the government. Industrial relations are influenced by various factors such as institutional factors (government policy, labour legislations), economic factors (economic organisation, demand and supply of labour), technological factors (automation), social-cultural factors, political factors and governmental factors (industrial policy, labour policy)

### 9.1.1 Three actors of industrial relations: -

Three major participants or factors of industrial relations are:

- 1) **Workers and their organisations-** Trade unions play an important role to protect workers' economic interests through collective bargaining and by bringing pressure on the management through economic and political strategy.
- 2) **Employers and their organisations-** These organisations protect the interests of the employer by pressurising the trade unions and the government.
- 3) **Government-** The state is the most powerful factor in guiding industrial relations. Government influences industrial relations through labour policy, implementing labour laws, the process of conciliation and adjudication by playing the role of a mediator. It tries to regulate the activities and behaviour of both employee's organizations and employers' organizations.

### 9. 1. 2 Importance of Industrial Relations:

1. **Increased Productivity:** With cordial industrial relations both workers and managers continue to work on their respective position and contribute towards the overall productivity of the firm thus helping in the economic progress of the country. Thus, Industrial

Relations ensures the continuity of production and help achieve organizational efficiency.

2. **Reduced Industrial Disputes:** An effective Industrial Relations helps in the reduction of industrial disputes as both the management and the workers maintain harmonious relations with each other and work in unison towards organisation efficiency.
3. **Increased Morale:** The peaceful industrial relations boost the morale level of the employees as they feel that their interest coincides with that of the employer's, and their efforts will result in the overall profitability of the firm.
4. **Minimization of Wastage:** A good Industrial Relations ensures reduced wastage as the resources – man, machinery and material are fully utilized and are effectively contributing towards the overall productivity of the firm.

An effective Industrial Relations is required to ensure higher production at less cost and increased profits. It helps in the economic progress of the country. It covers the system, rules, and procedures to protect the interest of the workers and the employers and to regulate the behavior of the employer i.e., the way employers treat their employees.

### 9.1.3 Methods to resolve industrial disputes

Industrial conflicts are mainly resolved through interaction of labour and management. Labour is represented by trade unions. This is known as the bi-partite settlement of disputes. In case of conflict the union and the management try to resolve the problem through interaction of both parties. The demands of the workers are can also be taken up collectively by the unions representing the workers. This is called collective bargaining.

#### Collective bargaining

Collective bargaining is a method by which trade unions protect and improve the condition of the workers. The Encyclopedia of Social Sciences defines collective bargaining as a process of discussion and negotiation between two parties- one or both of whom is a group of persons acting in consent. Collective bargaining is a procedure by which employers and a group of employees agree upon the conditions of work. It is group action as opposed to individual actions and is initiated through representative of workers. It is flexible and mobile and not fixed or static. It is a two-party process and is continuous.

Collective bargaining plays an important role in preventing industrial disputes and maintaining industrial peace. It increases the economic strength of employees and management; helps establish uniform conditions of employment; lays down fair rates of wages and norms of working conditions; ensures efficient functioning of the organisation and helps in regulation of the conditions of employment of those directly concerned with it.

In India, there is collective bargaining for resolving disputes but there is also the tripartite settlement that involves a third party- the government. The office of the labour commissioner plays an important role in resolving disputes. Conciliation – the process of persuasion - can be done at the local level between union and management and also the government. The worker or management can take the case to the labour officer for conciliation. Officials can only persuade both sides to agree but cannot force its views on the parties. In cases where conciliation fails there are two ways by which conflict between labour and management can be resolved i.e., arbitration and adjudication. In arbitration both parties have to agree to an independent and neutral person who serves as the arbitrator. The arbitrator will review the case and will give his judgement. It is expected that both parties will accept this decision as final. Arbitration may not be binding for the party that feels that the decision is not fair. However, once the parties agree to arbitration, they cannot approach any other authority for seeking justice. If the workers or their union disagrees with the decision, the next step of action will be a strike.

Alternative to arbitration is adjudication where the dispute can be taken to the Labour Court by either party. Before seeking relief from the Labour Court, the labour department of the state government must agree and no dispute can go directly to the labour court without the approval of the department. This can happen only if conciliation fails. If either party does not agree with the decision of the labour court it can approach the High Court and then the Supreme Court.

Thus, one can see that the paths of dispute settlement are complicated and at times long-drawn.

#### **9.1.4 Factors of industrial relations**

Various factors contribute to industrial relations. These are:

1. Institutional factors- It includes government policies, labour legislations, employee courts etc.
2. Economic factors- This includes economic organization, labour force structure, demand and supply of labour force.
3. Technological factors- It includes mechanization, automation etc.
4. Socio- cultural factors- It includes population, religion, customs and beliefs.
5. Political factors- It includes political ideology and trade unions.

#### **9.1.5 Functions of Industrial Relations**

- To establish communication between workers and the management in order to bridge the gap between the two.

- To establish rapport between managers and the managed. It is important that management and workers get along well to avoid conflict and increase employee morale and productivity.
- To ensure creative contribution of trade unions.
- To avoid industrial conflicts, to safeguard the interests of workers on the one hand and management on the other hand, to avoid unhealthy, unethical atmosphere in an industry
- By establishing considerations that avoids conflict it can promote understanding, creativity and cooperation to increase industrial productivity and ensure better workers participation.

#### **9.1.6 CONDITIONS FOR CONGENIAL INDUSTRIAL RELATIONS**

- Existence of strong, well organized and democratic employees' unions
- Existence of sound and organized employers' unions
- Spirit of collective bargaining and willingness to resort to voluntary arbitration
- Maintenance of industrial peace

#### **9.1.7 Check your progress:**

1. Explain the concept of Industrial relations.

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2. Why are industrial relations important?

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3. Which are the three actors of industrial relations

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4. Explain the functions of industrial relations.

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5. What are the various methods to resolve industrial disputes?

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## 9.2 TRADE UNIONS- MEANING AND DEFINITION

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A trade union is an organisation of workers set up to defend their interests against the employer, the state or any other opposing authority. It is an association of workers formed with the objective of improving the conditions of workers and protecting the interests of workers.

Sidney Webb and Beatrice Webb in their book A History of Trade Unionism, define trade union as “a continuous association of wage earners for the purpose of maintaining the conditions of their working lives.”

G. D. H. Cole, in his book, Introduction to Trade Unions defines trade union as- “a continuing organisation of employees established for the purpose of protecting or improving, through collective action, the economic and social status of its members.”

According to Flippo, “a labour union or trade union is an organization of workers formed to promote, protect, and improve through collective action, the social, economic and political interests of its members.”

Indian Trade Union Act 1926 defines trade unions as:

“Any combination whether temporary or permanent formed primarily for the purpose of regulating the relations between the workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.”

Trade unions are workers organisations attempting to protect their interests against the power of the employers and the state and its institutions and reduce exploitation. In a general sense, the objective of a union is to secure better living and working conditions for workers. In order to achieve this, trade unions must secure and protect the rights of the workers that includes demand for fair wages, better working conditions and facilities relating to

work and retirement. Trade unions need to ensure that these rights are not depleted or eroded by other forces.

### **9.2.1 Why do workers join trade unions?**

**There are various reasons why workers join trade unions. These are:**

1. To attain economic security.
2. To improve bargaining power and balance it with that of the management.
3. To express their grievance to the management.
4. To inform workers' views, aims, ideas and dissatisfaction to the management.
5. To secure protection from unexpected economic needs.
6. To satisfy social and psychological needs.
7. To satisfy needs of belonging.
8. To secure power.

### **9.2.2 Characteristics of Trade Union**

- i. The trade union may be associations 'either of the employers or employees or independent workers.
- ii. Trade unions are relatively permanent combination of workers and are not temporary or casual.
- iii. Trade unions are an association of workers who are engaged in securing economic benefits for their members.
- iv. The character of trade unions has been constantly changing.
- v. The origin and growth of trade unions has been influenced by a number of ideologies.

### **9.2.3 Functions and Role of Trade Unions**

The basic functions of unions are to protect and promote the interest of the workers and conditions of their employment. The other factors are;

- i. Achieving higher wages and better working and living conditions for the members.
- ii. Acquiring the control of industry by workers.
- iii. Minimizing the haplessness of the individual workers by making them stand collectively and increasing their resistance power through collective bargaining, protecting the members against victimization and injustices of the employers.

- iv. Raising the status of the workers as partners of the industry and citizens of society by demanding increasing share for the workers in the management of industrial enterprises.
- v. Providing workers self-confidence and a feeling that he is not simply a cog in the machine.
- vi. Imbibing sincerity and discipline in workers.
- vii. Taking up welfare measures for improving the morale of the workers.
- viii. To protect the right to be consulted on all the matters affecting the workers' interest.

**The functions of trade unions can be divided into four categories.**

**Militant or protective or intra-mural functions:** these functions include protecting the workers interest that includes hike in wages, providing more benefit, job security etc., through collective bargaining and direct action such as strikes.

**Social functions:** these functions include carrying out social service activities, discharging social responsibilities through various sections of the society like educating the customers.

**Political functions:** these functions include affiliating a union in political party, helping the political party in enrolling members, collecting donations, canvassing during the election period, seeking the help of political parties during the strikes and lock-outs.

**Fraternal-or extra-mural function:** these functions include providing financial and non- financial assistance to workers during the periods of strikes, extension of medical facilities during sickness and casualties, provision of education, recreation and housing facilities, provision of social and religious benefits.

**Ancillary functions: these functions include;**

**Communication:** trade unions communicate its activities decisions and programs to itsmembers through publications of newsletter or magazines.

**Welfare activities:** trade unions undertake welfare activities like acquiring of house sites, construction of houses, and establishment of co-operative housing schemes, co-operative credit societies, and organizing training facilities.

**Education:** trade unions provide educational facilities to its members and their family members.

**Research:** trade unions arrange to conduct research programs. They systematically collect and analyse data and information for collective bargaining, preparing notes for union officials,for court cases etc.



## 9.2.4 Problems of trade unions in India

**Some of the major problems faced by trade unions in India are as follows:**

### 1. **Small Size**

According to the veteran trade union leader V.V. Giri, “the trade union movement in India is plagued by the predominance of small sized unions”. Smallness in size of the union implies, among other things, weakness in bargaining power.

### 2. **Poor Finance**

Small size of unions has its direct bearing on its financial health. It is the small size of trade unions accompanied by small subscriptions; the trade unions cannot undertake welfare activities.

### 3. **Politicisation**

A serious defect of the trade union movement in India is that the leadership has been provided by outsiders’ especially professional politicians.

### 4. **Multiplicity of Unions**

Trade unionism in India is characterised by multiplicity of unions. The implication of multiplicity of trade unions is that it leads to union’s rivalry in the organization. Multiplicity of unions contributes to fragmentation to workers leading to small-sized unions.

### 5. **Lack of Enlightened Labour Force**

The lack of an enlightened labour force capable of manning and conducting the movement efficiently, purposefully and effectively has been a major problem in the development of trade unions in the country. Lack of education, division by religion, language and caste, migratory nature, lack of self-consciousness, and non-permanent class of workers have been attributed as the causes for the lack of enlightened labour force in India.

## 9.2.5 Check your progress

1. What is a trade union?

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2. Explain the role and functions of trade unions.

3. Why do workers join trade unions?

4. Examine some of the issues faced by trade unions in India.

### 9.3 LET US SUM UP:

The primary objective of industrial relations is to bring about good and healthy relations between the two partners in industry- the labour and management. It includes relations of the state with employers, workers and their organisations. Maintaining congenial industrial relations are important for any organization as conflict between employers and workers can prove costly to the management as well as be detrimental to the workers' wellbeing. Harmonious industrial relations help in promoting cooperation and increasing production. Industrial relations are significant as it can lead to uninterrupted production, reduce conflict, increase workers' morale, reduce wastage and increase productivity. Trade unions are the representatives of the workers protecting the interest and wellbeing of the worker in the organization. Trade unions are necessary to safeguard the interests of workers and to protect them from all sorts of exploitation. Trade unions can effectively work towards attaining wage equality, protect workers against injustice and exploitation, provide support, assistance and self-confidence to the workers. It can instill a sense of belonging to the organization. In order to maintain peaceful industrial relations both management and union must fully accept each other and have mutual trust

and confidence. Maintaining peace and harmony in industry and maintaining cordial organizational climate can promote active work culture in the organization and promote organizational effectiveness and increase productivity.

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## 9.4 QUESTIONS:

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1. Define the term industrial relations. Examine the functions of Industrial Relations.
2. Who are the three actors of industrial relations? Discuss their roles in industrial relations.
3. Bring out the importance of industrial relations in maintaining harmonious management-worker relations.
4. What is a trade union?
5. Why do workers join trade unions?
6. Explain the characteristics of trade unions.
7. Examine the problems of trade unions in India.
8. Elaborate on the functions of trade unions.

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# LIBERALISATION, PRIVATISATION AND GLOBALISATION

## Unit Structure

- 10.1 Objectives
- 10.2 Introduction
- 10.3 Liberalization
- 10.4 Privatization
- 10.5 Globalization
  - 10.5.1 Contemporary globalization in the world
- 10.6 New economic policy
- 10.7 Consequences of new economic policy
- 10.8 Impact of globalization in India
- 10.9 Summary
- 10.10 Reference
- 10.11 Questions

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## 10.1 OBJECTIVES

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1. To introduce the students with the New Industrial Policy of 1991
2. To familiarize the students with the concepts of Liberalization, Privatization and Globalization
3. To emphasize how multinationals played an important role in the expansion of world trade

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## 10.2 INTRODUCTION

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Before we study the meaning of globalization it is necessary to know the reason for studying globalization, which is a part and parcel of today's modern world. In the pre-industrial stages every nation was interested in its own progress and development. In such a situation international relations were extremely limited. However, with the development of industrialization modernization, urbanization, developed means of transport, communication science and technology, the business between the countries of the world started breaking down and international or external relations between the countries developed at a rapid rate.

Globalization as a term refers to a policy adopted by the Government of India especially since 1991. The critical foreign exchange situation, galloping inflation and the compulsive need for external aid, prompted the government to accept the new terms and conditions for opening up of

Indian economy. This resulted in the removal of restrictions and duty on imports, which implied liberalizing of the India's economy interns of import of foreign goods and permitting almost unrestricted free flow of foreign capital is practically all the important areas of the Indian economy. Today there is need for close interaction between the countries of the world. Therefore different nations are co-related to each other and attached to each other through various aspects such as communication, media, social relations, economic or is termed as globalization that is one that involves the globe. The world globalization, like socialism till recently, is currently in much use and the collapse of socialist economics has greatly enhanced its prestige. The economics today are seen an enter lined and economic life now has become so competitive and interdependent that they have turned into a world market and economies have partially or fully been globalized or are moving towards globalization.

Our economy slowly moved towards globalization that got a boost by the policy of late Prime Minister Shri Rajiv Gandhi and thrust with the announcement of the New Economic Policy by P.V Narsimha Rao in July 1991. During the span of 10 or 15 years there has been a gradual shift of employment form the organized sector to the unorganized sector. Within the organized sector the proportion of causal and contract labour is increasing. This has been one of the major consequence of industrial restrictions during the 1980s. The new Economic Policy accelerated this trend with the increased importance to experts, and more and more expect processing zones have emerged in different parts of the country through Liberalization, Privatization and Globalization.

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### 10.3 LIBERALIZATION

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The process or method of liberalisation is the removal of state regulation on economic activity. It removes government involvement and gives corporate firms more autonomy in decision-making. To abolish these restrictions and open up many economic sectors, liberalisation was started. Although there were some liberalisation suggestions introduced in the 1980s in the fields of fiscal policy, foreign investment, technical advancement, and export-import policy, the industrial licencing and economic reform policies introduced in 1991 were more comprehensive. There are a few noteworthy areas that acquired notoriety in and after 1991, including the financial sector, industrial sector, foreign currency markets, tax reforms, and the investment and trade sectors.

#### Check Your Progress

1. Define Liberalization

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## 10.4 PRIVATIZATION

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Privatization is the second stabilisation measure policy. By reducing the control of the public sectors, this policy seeks to increase the dominance of private sector businesses. Consequently, there will be less ownership in the government-owned company. In addition, there are two ways that government-owned corporations can become private sector businesses. These strategies include disinvesting and removing the government's authority over the public sector enterprise. A strategic sale, a partial sale, and a token privatisation are the three types of privatisation. The government must transfer ownership of all productive resources to private company owners in the event of a strategic sale or denationalisation. With the aid of the transfer of shares, the Partial Sale or Partial Privatization holds a minimum of 50% of the business. As a result, they would own the majority of the shares and be in charge of the company's autonomy and operations. The Government would have to disinvest the share capital by up to 5–10% during the token or deficit privatisation in order to make up the budgetary shortfall. Therefore, the goal of this policy is to strengthen the nation's finances and lessen the workload placed on the public sector. Additionally, the disinvestment might raise money. The efficiency of the public sector would inevitably rise with less labour pressure, resulting in higher-quality goods and services for consumption.

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## 10.5 GLOBALIZATION

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Globalisation refers to a worldwide phenomenon buying different countries of the 1st world and the third world into a close network of social economic and political connections crosscut borders between countries. Globalisation thus means increasing interdependence of the world society. McGrew also speaks of globalization as simply the intensification of global inter-connected and stresses the multiplicity of linkages implies-goods capital social inspirational relationship technological developments ideas all really flow across territorial boundaries Globalization refers to the acceleration of global movements and exchanges (of people, goods, and services, capital, technologies, and cultural practises). Globalization has the effect of promoting and increasing interactions between different locations and populations around the world.

According to WHO, globalization can be defined as ” the increased interconnectedness and interdependence of peoples and countries. It is generally understood to include two inter-related elements: the opening of international borders to increasingly fast flows of goods, services, finance, people and ideas; and the changes in institutions and policies at national and international levels that facilitate or promote such flows.”

A sociological understanding according to Hoogvelt, sociologists have been at the fore front in the effect to give globalization a consistent and rigorous hierarchical status. In the contemporary period, its development a specifically sociological concept owes by for the greatest debt to Roland Robertson of the University of Pittsburg. Curiously globalization, or a

concept very much like it, put in an early appearance in the development of social science. Saint Simon noticed the industrialization was including commonalities of practices across the diverse cultures of Europe. Durkheim's legacy to globalization was his theories of differentiation and culture. The state and the collective consciousness must progressively become more weak and abstract in the order to encompass intra society diversity. All this implies that industrialization tends to weaken collective commitments and to open the way for dismantling the boundaries between societies just as Durkheim identified differentiation, Weber identified rationalization as the globalizing solvent. Of all the clinical terrorists, the one mostly explicitly committed to a globalizing effect of modernization was Karl Marx. Globalization caused an enormous increase in the power of the capitalist class because it opened up new markets for it. The establishment of a 'world market' for modern industry gave a cosmopolitan character not only to production but also to consumption.

### Check Your Progress

#### 2. Define Globalization

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### 10.5.1 CONTEMPORARY GLOBALIZATION IN THE WORLD

The task of globalization theory is to understand the sources and condition of this complex connectivity evident in all spaces and every where in the world. Today Robertson explain that while events in any one part of the world will increasingly have consequences for or be referenced against events in other distant parts, this may not always be positive. We need to understand that globalization follows the path of its own inexorable logic. Global connectivity then means that we now experience distance in a different way. This particular sense of proximity can be seen in the transformation of spatial experience into temporal existence.

Robertson looks in dated of how connectivity shades into

a) proximity

b) unity

- a) **Connectivity and proximity** refers to the shrinking of distances through the dramatic reduction in time taken either physically or representational (information technology) to cross distances. It also refers to spatial proximity via the idea of 'stretching' social relations across distances as Giddens speaks of it. Global proximity results from a shrinking world and McLuhan describes it as the world is reduced to 'global village'. The United Nations uses the term 'Global Neighbourhood'. Phenomenologically, proximity is described on a common conscious appearance of the worlds, more intimate and more



comprehend' metaphorically it implies an increasing immediacy and consequentially thereby reducing real distanced relations.

- b) **Connectivity and Unity** for the first time in history the globe is becoming a single serial and cultural setting. Thus in all spheres of life, issues are no longer be looked at independently from a local perspective, Globalization has connected the world where in the concept of Local is raised to the horizon of a 'single world'. There is both increasing introduction of frames of reference. Robertson Clarifies that global unity does not imply a world culture. It does not imply wholeness and inclusive even that is total and encompassing. Rather, it is complex social and phenomenological condition in which different aspects of human life are brought into articulation with one another. It should lead to cultural differences becoming more accentuated precisely as it is identified in relation to the 'world as a whole'. The world system may be divided by conflicts that one more intractable than the previous disputes between nations. Robertson stresses that globalization needs to be understood as involving contradictions, resistances' and countervailing forces, as involving a dialect of opposed principles and tendencies of local and global.

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## 10.6 NEW ECONOMIC POLICY

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Structural adjustment loans brought forward various changes in the policies of the Indian government. Before 1991 the Indian government tried to have a minimum interference of foreign enterprises in the Indian economy. Foreign companies were not given a free market for their products but at the same time, limits were maintained a rule were introduced as regards to foreign collaboration. The government, due to the structural adjustment loans, had to remove these limits of control. Therefore, there changes were welcome and thus formed the New Economic Policy. It was due to this policy that the process of globalization entered India at a very rapid pace. Hence the new economic policy is considered as a significant aspect related to globalization. The July 1991 budget incorporated the first stages of structural adjustments of the new economic policies. The reforms or changes introduced in 1991 have the following important elements.

- 1) The major intention of the Indians government was to solve its balance of payment crisis.
- 2) It liberalized import and export and policies on foreign trade. This meant that the Indian businessmen do well as foreign enterprises were now free to have trade relations with each other.
- 3) This policy led to internal de-regulation of the market.
- 4) The Indian government de-valued the rupee to encourage exports. It increased the professional tax and reduced income tax. When the Indian government brought about so many changes, they were considered positive because they increased the pace of 'globalization. However, the government also had to introduce certain other changes,

which had negative consequences e.g. the Indian government had to reduce subsidies on agricultural inputs and on prices within the public distribution system.

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## **10.7 POSITIVE AND NEGATIVE CONSEQUENCES OF THE NEW ECONOMIC POLICY:-**

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The new economic policy brought in its wake certain significant consequences in the Indian society. These consequences were both positive and negatives.

### **Positive consequences**

- 1) The government spent amounts on welfare and poverty removal programmes. This meant that the extra finance that the government had earned through reducing the subsidies was used for the positive activity.
- 2) One of the significant consequences was the justification provided to the new economic policy or the policy of liberalization. The Indian government anticipated an inward rush of foreign capital in the form of direct investment. It was assured that this would bring rapid growth for the economy, reduction in unemployment and rising personal incomes.

### **Negative consequences**

- 1) The new economic policies had to increasing impoverishment. There was depression of wages.
- 2) One of the serious after effects of the new economic policy was an increase in the amount of child labour. This affects the future of the nation because children are the citizens of tomorrow. In order to ensure proper program for the nation it is necessary that the young generation should have a decent level of education. Due to the problem of child labour Children are deprived of education and are in fact exploited and deprived of their right to education.
- 3) The poor class suffered a lot due to the withdrawal of government subsidies on agricultural inputs as well as in the public distribution system. The vast affected were the low wage laborers who were dependent on daily wages.
- 4) The integrated rural development also faced a setback due to the government policy. This resulted in a tremendous loss to large section and particularly those who depended on guaranteed work scheme in slack seasons.
- 5) The policy of liberalization can also be linked with increasing rationalization and regions started competing with each other for favour from the union government. The basic aim of the competition

amongst the region as to receive foreign capital. This resulted in ethnic movements and other serious conflicts.

- 6) The new economic policy brought back caste divisions in a major way. With The private sector started becoming more and more important it led to rivalry in employment. However, the private sector did not implement the policy of renovation. As a result of this the scheduled casts and scheduled tribes were adversely affected. On the other hand the brahmans or the upper caste benefited a lot when the economy was privatized. Then there was an in centre based economic division.
- 7) Under the impact of new economic policy and the policy of liberalization the MNC's entered into the Indian market at a very fast rate. Though their entry was considered significant by the government because of increase in foreign capital investment, it did create a variety of negative consequences. The MNCs had its own selfish interest. They were most interested in local buy outs and mergers rather than in genuine new enterprises. Their main concern was to enter the Indian domestic market e.g. Coca Cola took over Thumps up, Honda merged with Bajaj. Thus, tendency of the MNC's led to serious doubts regarding their own genuine concerns.

There were the following allegations against the MNC's.

- 1) They were exercising dominance and control over the local companies.
- 2) The MNC's showed a tendency to import outdated technology.
- 3) There was a brain drain to the west especially in the software industries.

The government had liberalized the controls on export under the new economic policy. Due to this, certain highly capitalized Indian farmers started satisfying their own selfish interest. They indulged in exporting high qualitative products to overseas market for high profit e.g. high-quality Basmati rice and Alphonso mangoes are exported, in fact majority of the Indian population don't even get to see this quality of rice and mangoes. Thus, the farmers showed interest in their own profits.

### Check Your Progress

1. Briefly explain New Economic Policy

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## 10.8 IMPACT OF GLOBALIZATION ON INDIA

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The concept of globalization has affected almost all countries in the world. The impact of globalization on India has resulted in various changes in the various spheres of life. Some changes have been possible whereas some have resulted in negative consequences. Globalization in India, especially in the economic or market aspect has been very significant because of its important social consequences both positive and negative. One of the significant impacts of globalization on India is the new economic policy. The new economic policy is extremely significant because it has brought globalization into the Indian society on a very large scale. It means before the implementation of the new economic policy the concept of process of globalization was limited in its structure. After the British left India in 1947, the situation of Indian society was not at all favorable. Low level of growth in the economy and high levels of deprivation among the population marked the immediate post-independence situation. It was necessary to improve the low levels for stable economic growth. The consequences or a solution to this problem was the creation of a planned, relatively closed economy with a high degree of government control and of a policy of widespread subsidies. The government of India developed the policy the five-year plans that is continued even today. The interest five-year plans concentrated on industrialization and modernization through a large capital investment. The reason was to reduce high economic growth. Gradually the later five years plan concentrated more on welfare and poverty removal. The Indian economy was divided into two major sectors namely, the public sector and the private sector. The private sector was important but it did not venture into certain areas of the economy due to long gestation periods, high capital investment as well as high risks. They wanted these industries to be within the country but neither by themselves nor under the control of foreign enterprise. Therefore, the main intention of the public sector was to setup industries in those areas rejected by the private sectors. When the Indian government attempted to raise money for this investment from the World Bank it was referred on the following grounds.

- a) India was basically a public driven school i.e. the public sector was extremely active in nature.
- b) In the world Banks view, India has agriculture as its major aspects as compared to industries and therefore industrial goods should be improved rather than produce at home.
- c) Help should be taken from the multinational companies (MNC) for setting up any industrial enterprise. As the world Bank rejected the loan, India approached USSR & processed the loans, In spite of the loan clearance try the USSR the problem in the Indian society did not stop old problems were solved to a certain extent and at the same time several important and serious problems arose e.g. within the frame of bureaucratic structure, corruption, bribery increased at a rapid rate. The five years plan had also resulted in certain partial policies such as the green revolution which favoured regions like Punjab and it

created differences between venders' regions in the country. The Government of India was also unable to affect the income redistribution which would have stimulated the demand for domestic production. Thus, India was now facing new types of problem. The Gulf war was taking place in 1991. During this war, India found it impossible to borrow from the world market. The Non-Resident Indians or the NRI's in this situation became worried about the money that they had invested in India and therefore they quickly withdrew their deposits. The situation made India more short of foreign exchange. With a lack of foreign exchange, the balance of payment crisis emerged. India now found it impossible to build up her independent economy and therefore was forced to accept adjustment loan from the World Bank. The loan popularly came to be known as New Economic Policy.

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## 10.9 SUMMARY

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International economy experienced a programmed international economic integration, that is internationalization of production, trade, investment and finance, called globalization since 1950. However, this process of globalization is not a global phenomenon as has been finally admitted by the World Bank in a report published in May 1996. Like limits to economic growth, there are also limits to globalization & the economy and the minimization of state control wherein the awareness is growing that no nation can feel safe without the commitment to international obligations. However, there is yet long way to go before this consciousness transforms into reality.

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## 10.10 QUESTIONS

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1. Explain the concepts of Liberalization, Privatization & Globalization
2. Explain the impact of Globalization on World's economy
3. Explain the New Economic Policy of Globalization

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## BUSINESS PROCESSING OUTSOURCING

### Unit Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Meaning of BPO
- 11.3 Nature of Work
- 11.4 Categories in BPO
- 11.5 Types of BPO
- 11.6 Need of BPO/ Advantages of BPO
- 11.7 Objectives of BPO
- 11.8 Services offered by BPO
- 11.9 Benefits of BPO
- 11.10 Risk of BPO
- 11.11 Future Directions
- 11.12 Future Prospects of BPO in India
- 11.13 Challenges and threats of BPO
- 11.14 Summary
- 11.15 Questions
- 11.16 References

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### 11.0 OBJECTIVES

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1. To understand the meaning of BPO
2. To learn the various aspects of BPO like benefits, limitations.

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### 11.1 INTRODUCTION

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It is said that the Business processing Outsourcing companies is expected to reach 8.8 billion by 2025<sup>1a</sup>. According to some estimates there are around 374 Business Processing Outsourcing companies at present in India<sup>2a</sup>. The Business processing Outsourcing companies majorily came into India post liberalization and it has given jobs to lakhs of youngsters. It even normalized the culture of Working at Night shifts. Several

multinational airlines began outsourcing their back-office operations to India first, followed by IT corporations. Since then, the Indian outsourcing sector has grown and catered to a multinational workforce to meet the operational demands. Companies of every industry, from every country, and of every size and power are looking into outsourcing. India's BPO business is becoming a substantial contributor to the country's growing economy<sup>3a</sup>. The service industry of BPO has created an impact in Indian culture, economy which makes it necessary to study in detail.

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## 11.2 MEANING OF BPO

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BPO (business process outsourcing) is a commercial activity in which one company contracts another to do a task (i.e., process) so that the employing firm so that the main firm run its own business successfully. Some of the top Business Process Outsourcing companies in India are Wipro, Infosys, WNS Global, Accenture, IBM, Firstsource Solutions, Suntec India etc.

The term "business process outsourcing" (BPO) is just another way of saying "outsourcing." Information technology-enabled services, or ITES, is another name for business process outsourcing, which recognizes that IT infrastructure is necessary for outsourcing to take place. When a corporation hires an outside source for services or business operations, this is known as outsourcing. A business process outsourcing (BPO) service is a contractual service that manages, delivers, and operates one or more business processes or functions. Manufacturing and back-office activities like accounting and human resources are examples of this. However, front-end services like as customer service and technical assistance may be included in BPO.

BPO (Business Process Outsourcing) is a contract in which a company (outsourcer) transfers its processes, as well as the related operational activities and duties, to a third party (BPO operator), who then offers the required services to the company's customers for a fee. This could be in Retail banking, insurance, travel and hospitality, autos, telecommunications, pharmaceuticals, finance, accounting, and human resources are all examples of BOP services.

In other words, Outsourcing allows a corporation to focus on its core competencies by contracting out non-essential and regular tasks to third parties. Due to outsourcing, there is no need for the company to hire, train, and pay employees on a permanent basis to perform non-core tasks. With this approach, the corporation focuses on its core competencies while outsourcing is made of less important tasks to third parties for a charge. Manufacturers hire other companies to handle certain procedures, such as sections of their supply chains, that were unrelated to the core capabilities while making the end products, which is where BPO gets its start.

Outsourcing, often is also known as Business Process Outsourcing (BPO), is the process of shifting a company's non-core tasks to a third-party source. These companies with the help of a third party complete various business tasks. For example - Instead of establishing its own advertising department, a manufacturing company might outsource its advertising work to an



advertising agency. The ad agency can assist the client company in determining the advertising budget, writing and text, selecting the most relevant media (TV, radio, newspapers, magazines), and purchasing media space.

Organizations in several industries use BPO to save time. Organizations can be of many types —like profit-oriented enterprises, non-profits, and even government offices and agencies — spread across the United States, North America, and different parts of the world. According to the BPO Services Global Industry Almanac, the total BPO Services sector produced is said to be \$144.9 billion in 2017.

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### 11.3 NATURE OF WORK

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Business process outsourcing is used by companies for two types of tasks: back-office and front-office operations. Work like Accounting, IT services, human resources (HR), quality assurance (QA), and payment processing are examples of back-office tasks (also known as internal business functions). In the same way, companies outsource various front-office operations including customer support, marketing, and sales. In addition to outsourcing an entire functional area, organizations might outsource specific tasks such as payroll, and human resources management.

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### 11.4 CATEGORIES IN BPO

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1. Back Office Outsourcing: Billing, payroll, and HR are examples of internal corporate services that can be outsourced.
2. Customer-facing services such as marketing, technical support, and maintenance are included in front office outsourcing.

#### Check Your Progress

1. What is LPO explain?

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2. Discuss the two categories of BPO work

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## 11.5 TYPES OF BPO

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Today businesses all over the world provide BPO services to other businesses hence, BPO can be classified in several ways.

- Offshore outsourcing, often known as offshoring, is when a corporation provides contracts for services from a company in another nation.
- Onshore outsourcing, also known as domestic outsourcing, occurs when a company provides contracts for services for another firm in the same nation.
- Nearshore outsourcing occurs when a company contracts for services from companies in surrounding countries.
- Knowledge Process Outsourcing (KPO) and legal process outsourcing are also sub-parts of BPO services.

### KPO, LPO and RPO

Business process outsourcing is sometimes defined by the types of services provided. The three most popular categories are as follows:

1. Knowledge process outsourcing (KPO), in which an outsourcing service provider is recruited not only to handle a certain business process or function but also to provide expertise in that process or function.
2. Legal process outsourcing, or LPO, is a sort of KPO that focuses on legal services, such as producing legal papers and conducting legal research, as well as providing advice.
3. Research process outsourcing, or RPO, is another sort of KPO that carries out research and analysis operations; RPO services are often used by biotech companies, investment firms, and marketing agencies.

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## 11.6 NEED OF BPO / ADVANTAGES OF BPO

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The following points illustrate why BPO is necessary or advantageous:

1. **Flexibility:** Outsourcing can provide a company, greater control over its resource management. The majority of BPO services are charged. This allows a business to become more flexible by converting fixed expenditures to variable costs. Outsourcing also allows businesses with seasonal or cyclical demands to bring in extra resources when they're needed and release them when they're no longer needed. For example, during tax season and auditing times, the accounting department may be short-staffed. These functions can be outsourced to provide additional resources for a set length of time at a fixed fee.

2. **Core Activities:** A business can concentrate on its core competencies due to BPO. Concentrating on core tasks might help a business gain a competitive advantage. Employees are freed from non-essential or administrative tasks, allowing them to focus more on the firm's main businesses. During times like fast expansion, a company's back-office functions will expand as well. This expansion may begin to deplete the company's resources (both human and financial). Outsourcing those functions will allow the company to focus on the most critical aspects of organization without losing time or quality of service.
3. **Cost-cutting and efficiency gains:** Another benefit of outsourcing is that the back-office operations that are complex in nature are done at a reasonable cost, as the overhead expenses of performing a specific back-office job are huge in developed countries. Outsourcing functions can be relocated to any country, wherever there is cheap labor. available. For example, If the office space is expensive, in a given area then it is better to outsource some simple functions.
4. **Transform the Organization:** BPO can assist in the transformation of a bureaucratic organization positively. A BPO can assist a corporation in the achievement of aggressive growth targets. As a result, BPO enables businesses to maintain their entrepreneurial speed and agility.
5. **Long-Term Customer Partnerships:** As BPO staff are usually properly trained in customer service, their approach and attitude toward customers can go a long way toward establishing long-term relationships.
6. **Operational Control:** Outsourcing should be considered an important decision for operations whose expenditures are running out of control. Outsourcing is a great way to transfer the work that has become unruly and poorly managed over time. Furthermore, an outsourcing provider can provide the organization with stronger managerial capabilities than would otherwise be available. For example, if the IT department has too many projects and not enough staff, during such time contractual outsourcing agreement can be used to force management to prioritise their requests and reclaim control.
7. **Continuity and Risk Management:** High employees quitting jobs adds instability and unpredictability to operations. Outsourcing ensures the company's continuity during such times. For example - If the HR manager is on a long medical leave and the two administrative assistants are leaving for new positions in a short amount of time. During such time outsourcing the HR function would reduce, the amount of work.
8. **Other Advantages:** When done correctly, outsourcing can help a company grow while it could also save money. Beyond the financial benefits of outsourcing, there are a number of other perks too like -

- Controlling Operational Costs
- Cost-cutting
- A boost in human resources
- Increased Productivity
- Expertise Access
- Expertise Availability
- Gain access to information technology tools without making a significant financial investment
- Greater adaptability to changing market conditions

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## 11.7 OBJECTIVES OF BPO

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1. Outsourcing business processes saves management time and allows them to focus on their core skills.
2. Limited resources can be better utilized.
3. BPO lowers operational costs. It is cost-effective for large corporations.
4. Specialized services are available to organizations.
5. An organization's strategic commercial relationships with a variety of other organizations can be strengthened.

Various organizations in foreign countries continue to outsource jobs such as contact centre work, accountancy work, and a variety of other tasks. The corporation will be able to save not only on house rent allowances, bonuses, cash advances, and other extras but also on the large salaries of trained personnel.

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## 11.8 SERVICES OFFERED BY BPO

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The following are the basic services provided by BPO units:

1. **Telemarketing Outsourcing Services:** Telemarketing outsourcing services are designed to facilitate engagement with potential consumers. The goal is to keep people's interest in things and encourage them to buy them.
2. **Consumer Support Services:** This service handles customer inquiries via a variety of channels, including voice, email, and chat.
3. **Technical Support Services:** This service provides customers of computer hardware, software, and internet infrastructure manufacturers with round-the-clock technical support and problem resolution.
4. **Desk Services:** This service assists corporate personnel with technology issues and provides support.

5. Insurance Processing Services: This service offers insurance companies specialized solutions.
6. Medical Transcription Services: Medical Transcription Services makes up 2% of all Indian outsourcing services.

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## 11.9 BENEFITS OF BPO

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Businesses participate in business process outsourcing in the hopes of gaining a competitive advantage. Proponents of BPO frequently mention the following advantages:

- Financial advantages: Organizations frequently discover that an outsourced provider can perform a business activity at a much cheaper cost, or that contracting with an outsourced provider allows them to save money in many ways, such as tax savings.
- Flexibility: BPO contracts can give businesses more flexibility in how they perform the outsourced business processes, allowing them to react more quickly to changing market conditions.
- Competitive advantage: BPO enables firms to outsource procedures that aren't vital to their businesses or missions. This is done by allowing them to spend more of their resources on the operations that set them apart in the marketplace.
- Higher quality and performance: As BPO providers' core business is to do the precise operations for which they've been employed, they should be able to focus on doing so at the greatest level possible, frequently with more accuracy, efficiency, and speed.

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## 11.10 RISK OF BPO

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Organizations that engage in BPO take on potential risks and downsides in addition to anticipated benefits. The following are some of the potential issues:

- Security breaches: Organizations must establish technology connections with their service providers, creating yet another potential point of attack. Organizations must frequently share sensitive and/or regulated data with their service providers, posing yet another security risk.
- Unexpected/higher costs: Organizations may underestimate the price they'll be paying for work they're outsourcing, either because they underestimate the amount of work or because they failed to assess or anticipate the entire costs of their contracts with their providers. So, the final product could be more expensive than what was estimated at the start.
- Communication issues: Companies may have communication issues with their outsourced providers, or even cultural hurdles.

## Check Your Progress

1. Do you think there is any risk involved with BPO?

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2. Discuss two benefits of BPO

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### 11.11 FUTURE DIRECTIONS

Technology may, at least in part, displace the practise of business process outsourcing in the coming years. Some of the corporate tasks that are now often outsourced may be handled by Robotic process automation (RPA) and artificial intelligence (AI), and these technologies can often perform such functions at cheaper costs and faster speeds.

### 11.12 FUTURE PROSPECTS OF BUSINESS PROCESS OUTSOURCING IN INDIA

The fastest-growing category of IT services is business process outsourcing (BPO). Outsourcing is rising at a 7% annual rate around the world<sup>4a</sup>. 73 percent of CEOs in the United States stated their organizations have outsourced some work. The BPO industry is attracting a lot of attention in India because of its potential as a new enterprise.

India enjoys a commanding 63 percent share of the offshore BPO market. Eastern Europe, Philippines, Morocco, Egypt, and South Africa have all emerged to compete for market share. China is also attempting to expand in the BPO market

1. India's BPO industry employs over seven lakh people and accounts for more than a third of the global market.
2. The BPO industry has grown at a rate of over 35% in the last few years.

In comparison to the United States and Europe, India has a large reservoir of competent people resources willing to labour for lower wages. As after other western countries, India has the largest English-speaking population. This allows BPOs to better serve American clients by working overnight

and maximizing resource utilization. Certainly, India's BPO business has a bright future.

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### 11.13 CHALLENGES AND THREATS OF BPO

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India, in comparison to the United States and Europe, has a big pool of skilled workers prepared to work for lower salaries. India has the largest English-speaking population among other western countries. By working overnight and maximizing resource utilization, BPOs may better serve American clients. India's BPO industry, without a doubt, has a promising future.

Yet there are certain challenges which the Outsourcing company have to face in terms of Data. Data misuse has been a major problem in recent times. Data leakage helps in massive problem to the residents of the home country (Companies which outsources jobs and the people). For example – a third party having mobile number, address, bank details etc. of a resident misuse it to ask for money, blackmailing and manipulating purpose. For example – You must have got a call stating that you haven't paid your credit card bill which amounts to X money. So, if one doesn't pay immediately then the card would be blocked or interest rate would be hiked or even jailed etc. Creating panic and fear and manipulating and getting money is a well-known crime these days<sup>5a</sup>. The recent practice is instead of asking money asking to get gift cards instead to the customer etc. The Netflix Web Series titled *Jamtara – Sabka Number Ayega* shows how individuals sitting in villages earn money through online transfer. It also shows how data is misused through manipulating voices and creating anxiety, panic among people<sup>6a</sup>. The people who are victim of such scams are both literate, illiterate people, senior citizens face the consequence. A simple search in YouTube would show the massive number of crimes with respect to Call centres. This is at every step including scam related to hiring jobs to frauds upon people using their mobile number. There are live scam tracking and showing the scammers face to himself such videos too available in YouTube. All these incidents show the risk involved in the business and customer data manipulation. With digitalization and UPI, the scams have further increased as many a times, senior citizens do not know apps are installed in their mobile, pass book to their own family members and then the money gets withdrawn without their own knowledge. These senior citizens then approach the bank and bank is unable to do anything. For a poor labourer, housewife this money is a huge amount. People even at times end up sharing their ATM number, CVC number, password unknowingly thinking that the phone call they received is from bank. Hence, lack of digital education is a need of the hour.

The limitations of Outsourcing are as follows :

#### 1. Loss of Control.

Outsourcing organizations may be remote from the business's current location, frequent visits are not possible and communication through reporting is not sufficient to exercise control. Hence, unless it is



impractical to do so in-house, core tasks should not be outsourced. Any incompetency identified by the market can be threatening to the reputation of the business. As the competition is increasing BPO have to be updated, quick and responsive as any delay could lead to loss of clients as there is large supply of other BPO who are ready to do the work.

## **2. Lack of Independence.**

With the loss of competency and resources in the home business, workers being made redundant or deployed elsewhere, and assets being sold, the business may become dependent on outsourcing organizations. It will be difficult to set up activities promptly in the event of a breach. Delays in resuming activity might harm the reputation and can affect the cash flow of the company.

## **3. Employee Morale.**

Employees' abilities may deteriorate over time, and animosity may develop if outsourcing results in forced redundancy. It can have a significant influence on productivity because there will be less drive for advancement and progress. Strikes in BPO can also effect the companies.

## **4. Cost May Exceed Benefits.**

Employee redundancy compensation, early termination penalties on existing contracts, and disposal costs for property, plant, and equipment may all incur costs. Outsourcing benefits are based on future expectations that may or may not materialise. Hence, the cost at long run would be the individuals at home would be losing jobs.

## **5. The reaction of Stakeholders.**

Stakeholders may react positively or adversely depending on how outsourcing affects their interest in the company. Some stakeholders may be pleased, while others may be disappointed. These include shareholders who may sell their shares, financiers who may demand return of cash, customers who may take their business elsewhere, and suppliers who may change their conditions of business based on their sense of future risk.

## **6. Legislation.**

Legislation may impose restrictions on interacting with foreign countries in order to maintain the currency's value, as well as while dealing with rival countries. It may enforce legislation to preserve some stakeholder rights, such as establishing high import duties to protect domestic industries or placing licensing requirements on businesses operating in specific industries. There could be also lengthy process for certain actions or standards as a condition of obtaining a license.

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## 11.14 SUMMARY

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BPO (business process outsourcing) is a commercial activity in which one company contracts another to do a task (i.e., process) so that the employing firm so that the main firm runs its own business successfully. By outsourcing work, companies often benefit as the main company could focus on specific important areas. Outsourcing also helps in reducing cost, time, energy, resources required for a staff. However, it has its own set of problems like leading to job loss in home country, too much dependency on other country. Information could be misused by the third party or BPO etc.

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## 11.15 QUESTIONS

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1. Explain the meaning of BPO and some limitations
2. Discuss the services offered by BPO
3. Discuss the advantages of BPO

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# KNOWLEDGE PROCESS OUTSOURCING

## Unit Structure

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Meaning of Knowledge Process Outsourcing
- 12.3 Areas in which Knowledge Process Outsourcing works
- 12.4 Origins of Knowledge Process Outsourcing
- 12.5 Percentage of Profit
- 12.6 Benefits of Knowledge Process Outsourcing
- 12.7 Knowledge Processing Outsourcing in India
- 12.8 Issues in KPO
- 12.9 External and Internal Issues
- 12.10 Impact of Outsourcing on individuals and families
- 12.11 Summary
- 12.12 Questions
- 12.13 References

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## 12.0 OBJECTIVES

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To learn about Knowledge Process Outsourcing

To understand its Benefits, issues faced by these companies.

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## 12.1 INTRODUCTION

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In the last chapter, we had learnt about BPO – Business Process Outsourcing. Here we would learn about KPO – Knowledge Process Outsourcing. This chapter would be useful for you as may be in the future you might work as a knowledge worker yourself with some KPO or research based Organization. In today's competitive market, specialisation is becoming more popular, with corporations focusing on their core competencies and outsourcing the rest. Many firms and organisations have recognised that by outsourcing, they will not only save money but will also be in a better position to focus on company growth.

Outsourcing began with in data processing industry and has since moved to a wide range of industries. Outsourcing became popular in the early 1990s as a result of an increase in the number of high-tech enterprises that were sometimes too small to maintain on their own. even though these companies have their own substantial customer service departments. In some circumstances, these businesses employed technical expert writers to make their product's usage instructions easier to understand and index

crucial information elements and hired, trained, and hired low-skilled workers through temporary employment agencies people to take their phone calls for technical support and customer service. These individuals worked in the call centres, where the information needed to assist a calling customer was readily available and later it was indexed in computer system.

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## 12.2 MEANING OF KPO

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The outsourcing of knowledge-intensive business operations that need professional domain-based expertise is known as Knowledge Process Outsourcing (KPO). KPO also involves knowledge intensive activities that are data driven and encompass the process of gathering, managing, analysing and delivering objective insights into businesses. It also works with fields like market research, investment research, patent filing, intellectual property, analytics, data management, equity and finance, legal, sourcing and information, and other high-end complicated jobs and procedures are examples of knowledge process outsourcing. A KPO employee needs domain knowledge, and experience in the high added value process chain.

Office Tiger, Smart Analyst, and The Smart Cube are three notable Indian players in the financial services KPO space. A number of MNC KPOs, such as Evalue Serve and GE Capital. Global corporations, are also involved. JP Morgan, HSBC, Reuters, Fidelity, Morgan Stanley, and others. In India, both Stanley and Citigroup have offices too. The contribution of the Indian KPO sector to the global market is estimated to be around 65-70 percent according to the data available in the year 2010-11.

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## 12.3 AREAS IN WHICH KPO WORKS

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KPO has been used in several areas. Let us look into it in detail. KPO has been used in offshoring R&D in pharmaceuticals and biotechnology. According to Aggarwal, countries such as India provide considerable cost benefits (up to 60%) in contract research and clinical trials. Hence Multinational companies like AstraZeneca and GlaxoSmithKline, for example, have lately established drug development centres in low-cost locations like India for offshoring R&D work. Offshoring analytics and inventory management costs can save data-mining services organisations up to 70% of their expenditures. The pricing difference between US and Indian PhDs/engineers is about \$60,000 to \$80,000. To supply these services, companies such as Evalue serve, GE Caps, and MarketRx have established centres in low-cost destinations and more are planned in the near future. Data Analytics and Insights: Using cutting-edge data analytics to solve business problems across industries and domains, empowering organisations with actionable insights. Market research and business research services, as well as strategy consulting, are provided to provide precise and brief answers to the most important business concerns. Global Reporting and Performance Management: To achieve operational excellence and productivity, provide effective reporting and performance assessment across industries. Data Management: Efficient data integration,

storage, retrieval, and sharing solutions for reliable corporate reporting and analytics as required by diverse stakeholders.

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## 12.4 ORIGIN OF KPO

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The success of Information Technology and Business Process Outsourcing to low-wage nations in the late 1990s, as well as the cost reductions that resulted, spurred some multinational firms to try outsourcing higher-end knowledge-based labour. For instance:

General Electric's captive business in Bangalore, India, began offering risk analytics services to GE Capital (globally) in 1997. American Express' fully owned subsidiary in Delhi-Gurgaon, India, began undertaking risk and credit analytics for several of its credit card divisions around the world in 1998-99. In 1998, McKinsey and Company established its own captive centre in Delhi, Gurgaon, India, which began delivering market research, business research, and data analytics services to over 6,000 of the firm's consultants worldwide.

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## 12.5 PERCENTAGE OF PROFIT

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One of the important reasons behind outsourcing of KPO/BPO is that of cost reduction. Let us look how this works. With outsourcing, money spent are 18 percent fixed, 30 percent variable, and 20% profit margins. This results in savings, resulting in a 32 percent increase in value for KPO clients. Firms' competitiveness improves as a result. The client's variable cost generates income for the KPO providers. Profits account for nearly 30% for a typical KPO vendor's income (before taxes). On the other hand, when the work is not outsourced, employee costs account for around 35% of total income. 35 percent of the total overhead expenditures, such as communication, transportation, catering, and infrastructure costs. In total expenses account for 85 percent of KPO vendor income. In a way, the profit reduces (Evalueserve 2005)

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## 12.6 BENEFITS OF KNOWLEDGE PROCESS OUTSOURCING -

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In emerging nations, standardised technical education is now readily available to everybody. This highly skilled workforce is also available at a very low cost. As a result, using their services makes sense. Outsourcing to KPO firms has the following benefits.

- Significant cost savings that may be put to better use elsewhere.
- Higher operational effectiveness.
- Time and management energy savings for in-house services maintenance.
- Higher Profits

- Ability to hire a larger workforce without increasing expenditures.
  - In terms of work there are trained professionals. Well-educated experts with in-depth knowledge and experience in their respective industries.
  - World-class infrastructure and security system that ensures the company's stability and high degree of security.
  - Ability to work with a variety of data forms and sources
  - Produce and sustain high-quality work throughout the process.
  - Consistency in performance quality
  - On-time service delivery.
  - No service interruptions
  - Flexibility

### Check Your Progress

1. Before Knowledge Processing Outsourcing which companies entered into India as outsourcing.

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2. List out two benefits of Knowledge processing Outsourcing

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## 12.7 KNOWLEDGE PROCESS OUTSOURCING IN INDIA

The success of BPO in India is prompting foreign corporations to consider outsourcing their high-tech knowledge-based employment to India. The key variables that are responsible include operational cost savings, operational efficiency, a pool of competent workers, infrastructural improvements, increased quality and favourable government regulations needed for KPO.

In terms of KPO, India's education system is its greatest asset. The British created a robust English-speaking school system, which gave India a competitive advantage. In India, the tertiary education system is well

developed. A reservoir of highly trained labour exists. Indians excel at research and development. There is also low cost advantage due to currency value is also a significant benefit. Every year, India produces hundreds of thousands of English-speaking professionals in sectors such as information technology, engineering, education, law, science, finance, architecture, and other competitive fields.

The Indian edge is mostly due to the workforce's educational and technical capabilities. According to a survey conducted by NASSCOM (National Association of Software and Service Companies) in 2002, Indian ITES-BPO centres perform better than US and UK-based BPO centres in various categories such as total number of transactions, total number of correct transactions, total customer satisfaction, number of transactions per hour, and average speed of answers in the banking and financial services sector.

The poll also revealed that 45 percent of Indian KPO service providers hold the highest quality accreditation, such as Six Sigma (a rigorous and disciplined technique that uses data and statistical analysis to assess and improve a company's operational performance, processes, and systems). Six Sigma is a methodology for detecting and preventing faults in manufacturing and service operations. In India, BPOs and KPOs are becoming more quality concerned, and they are constantly developing to meet international standards. They are transitioning from the CMM framework to the new CMMI framework, which includes internationally renowned quality management standards from the International Organization for Standardization (ISO) such as ISO 9002, ISO 9001, ISO 9001:2000, and ISO 9001:2001.

The misconception that Indian firms can only produce "software coolies" is quickly giving way to the reality that they can do practically everything, even rocket science. India has a high number of skilled employees in fields such as pharmacy, medicine, law, biotechnology, education and training, engineering, analytics, design and animation, research and development, and paralegal. Services for content and even intelligence.

Leading organisations throughout the world are quickly discovering and tapping into this skill, resulting in the outsourcing of high-end procedures to low-wage locations. As a result, Knowledge Process Outsourcing is emerging in India.

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## **12.8 ISSUES IN KNOWLEDGE PROCESSING OUTSOURCING**

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During the recent times, the repetitive tasks which were earlier outsourced are now being automatized. The main reason for companies from United States to work with India was the cheap labour, i.e. nearly 50 percent to 30 percent of the cost is saved. However, with time the multiple job opportunities availability among employees has led the Indian employee to quit jobs at a higher rate. Employees even demand higher salary as a result, the cost is increasing and this leads to the decline in the profit.



There is also increase in the competition with local United States firms and internationally too. For example - The Philippines, in particular, has already established itself as the world's leading location for contact centre outsourcing. The country shares a close cultural affinity with the United States (the world's top customer of BPO services) and has a substantial English-speaking population. The Philippines has made considerable efforts in growing its own KPO business, building on its position as the leader in voice-based contact centre services. The Philippines has pushed into KPO services such as medical transcription and financial classification during the previous five years<sup>11</sup>. Tier-I cities, as has been the case in the past, have led India's IT growth because they have stronger infrastructure, connectivity, and talent. However, despite an incredible growth rate, KPO enterprises in India confront serious difficulties such as rising real estate prices and high attrition rates. These challenges have increased the demand on businesses to maintain profit margins.

Since KPO demands advanced analytical and specialized skill of knowledge, therefore, it faces more challenges than conventional Business Process Outsourcing (BPO). organizations face like attracting and retaining talent.

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## 12.9 EXTERNAL AND INTERNAL ISSUES -

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While KPO has its advantages, it also has a number of critical issues that must be addressed in order to realise the full benefit potential. Failure to address these issues can lead to costly errors and the elimination of the KPO model. The challenges of pursuing a KPO strategy can be divided into two categories: external and internal issues.

### External Issues

External issues are caused by causes that are beyond the control of the organisation. Finding an appropriate KPO vendor who can provide the required capabilities in a scalable and cost-effective way can also be a challenge. Some KPO vendors are able to recruit adequate personnel, but it becomes difficult when they are experiencing salary inflation, as a result of increased demand for skilled labour and improvements in the standard of living in other countries. Currency exchange changes, which might affect cost reductions, and it further impacts the business. A stronger rupee, for example, might significantly affect the real costs of outsourcing to India.

Another external issue is company's failure to secure its intellectual property. Although progress has been achieved over the years, intellectual property protection remains a barrier to the KPO model's complete acceptance. Intellectual property is exposed to a serious challenge in other countries, with little possibilities for control. Recent occurrences involving outsourcing providers implicated in security breaches and fraud have raised awareness and compelled organisations to discover new ways to protect intellectual property and consumers' privacy. Protecting data and privacy, as well as adhering to legal and regulatory obligations at home and abroad, are important obstacles for some companies to solve.

The physical location of the KPO vendor generates issues related to the economic and political climate of the nation in which the KPO vendor is located. One such recent example is Russia or Ukraine. Working against another country would be prohibited by the sanctions imposed by one's own country.

### Internal Issues

Internal issues refer to the issues that a company face while utilizing services from a KPO provider. Due to linguistic hurdles acquired from conducting business with nations where English is not the primary language, a decline in communication is a concern among KPO providers. KPO providers are always attempting to enhance their language skills by offering accent removal training or creating offices in countries with stronger English-language capabilities, such as in Chile or Mexico. The success of a KPO model depends on effective communication among workers and KPO vendor resources. When communication breaks down, the firm suffers as turnaround times lengthen the processes are outsourced to a vendor in another nation.

Voice-based processes that need client engagement provide some of the most difficult issues, and there have been several reported incidents of voice-based process failures in KPO and BPO. Internal customers who interact with outsourced procedures are in the same boat. Voice-based procedures paired with knowledge-based activities are not suitable for outsourcing to off-shore or near-shore providers utilising a KPO model. An on-shore vendor could be more equipped to deal with this issue.

Another internal issue is management's capacity to handle KPO vendors at a remote location. Many managers are content to handle their own resources on an ad hoc basis, and they typically lack a structured procedure that documents every choice made based on an analysis or certain parameters. Quality and performance metrics are frequently non-existent, and are reviewed at the department or person level through a form-performance measuring procedure.

In certain circumstances, outsourcing reveals inefficiencies and weak spots in the process, requiring a decision on whether to continue outsourcing the process as is or to optimize it first. Before outsourcing, companies must determine whether the process or knowledge area needs to be optimised. After refining their processes, some companies opt against outsourcing because KPO suppliers cannot match the cost reductions from the improved process. Technology also causes issues, such as those relating to poor networking, software applications, and security infrastructure. Even the IT department is involved from the start to verify that the infrastructure, applications, and data are in place and secure, and that the KPO provider is following best practices data and applications as was agreed.

Concerns about the impact on employees must also be taken into account. Employee morale is harmed by the KPO process, as workers are required to assist in the paperwork, transition, and training of KPO vendor resources. Key talent may leave before the knowledge process has been fully

transitioned to the KPO vendor during outsourcing. Managers must have a plan in place to reduce the risk of key talent leaving before the knowledge process has been fully transitioned to the KPO vendor. This issue is complicated by the possibility for unfavourable publicity that comes with publicly disclosing that employment, knowledge, and perhaps sensitive information which are being outsourced to a third party.

Another issue is related to the KPO decision-making process and programme management. Outsourcing a core competency must begin with an overall plan. Departmental or business unit-level outsourcing attempts have a lot more problems and a larger chance of failing. To avoid difficulties, one needs executive backing and a systematic vendor selection procedure. Identification of the knowledge process for outsourcing must be done as part of a bigger strategic effort and properly overseen by a programme manager with experience. It can also be handled as part of a centralised outsourcing group that controls all outsourcing operations and keeps track of the KPO vendor's installation and performance.

A fundamental problem is also the quality of knowledge workers. The employability of those who graduate from our educational system must also be considered. A high proportion of pupils who graduate from our educational system are found to be unemployed by industry at times. Courses tailored to the needs of KPOs should be established.

Understanding how a customer works is required for KPOs. In the KPO business, contracts will be substantially shorter in duration. They can last anywhere from three and six months. As a result, the primary goal is to produce high-quality work. Thus the process of building KPO capabilities is the key obstacle (Agarwal, R., & Nisa, S. 2009).

### Check Your Progress

1. Which language learning has helped as a advantage to work with knowledge Processing Outsourcing?

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2. Discuss two problems faced by the Knowledge Processing Outsourcing companies

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## 12.10 IMPACT OF OUTSOURCING ON INDIVIDUALS AND FAMILIES

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The social change due to the emergence of Outsourcing companies like Knowledge Business Outsourcing and Business Process Outsourcing is immense. These companies especially Business Process Outsourcing gave jobs to lakhs of Indians. An individual who was even 12<sup>th</sup> standard passed but had good communication skills was able to get a job and not just work but was able to earn good salary. This was unimaginable in the manufacturing sector. For example – The son/daughter parents must have worked in a factory for forty years but would have earned Rs. 30,000 barely even at retirement. However, in the call centre's individuals were able to earn more and at the enter point. This has also brought about generational gap within the families and even conflicts between classes within family spaces. However, this cannot be generalized. In several cases one individual working with the outsourcing business from the family has added income to the family and helped improve quality of life of himself/herself and his whole family too. This quick money at times has even led to the disposable income and quick spending habits at a large extent. The outsourcing business gave large salaries, pick up and drop up facilities as a result large number of women also entered into these fields. It normalized working at late night shifts which was seen as a problem earlier. This also brings to a range of health issues among the individuals. The Knowledge Process Outsourcing, Legal Process Outsourcing business, Business Process Outsourcing all led to increase in the forex resources in to the country and in a way contributed to the development of the nation.

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## 12.11 SUMMARY

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The outsourcing of knowledge-intensive business operations that need professional domain-based expertise is known as Knowledge Process Outsourcing (KPO). KPO also involves knowledge intensive activities that are data driven and encompass the process of gathering, managing, analysing and delivering objective insights into businesses. After the success of the companies with Business Processing Outsourcing the Knowledge processing outsourcing companies also emerged in India. These companies approach India due to the cost effectiveness, English speaking population and that of skilled qualified professional's availability. There are some challenges associated with the outsourcing work of Knowledge processing outsourcing like data sharing, time delay, online communication could be hurdle and emerging other markets as competition both locally and internationally.

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## 12.12 QUESTIONS

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1. Discuss the various issues that Knowledge Processing Outsourcing companies face.

2. Explain the meaning of Knowledge Processing Outsourcing and Benefits of them.
3. Discuss the origin of Knowledge Processing Outsourcing and write in brief about Knowledge Processing Outsourcing in India.

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