ORIGINAL RESEARCH PAPER
VOLUME-6 | ISSUE-6 | JUNE-2017 | ISSN No 2277 - 8179 | IF : 4.176 | IC Value : 78.46
INTERNATIONAL JOURNAL OF SCIENTIFIC RESEARCH

EFFECTS OF RISK BENEFIT AND OPPORTUNITY ON HR IN RESPECT TO GLOBALIZATION

Management

Ms.Nupur Srivastava Assistant Professor, School of Management, Babu Banarsi Das University, Lucknow.

ABSTRACT

Globalization means the dismantling of trade barriers between nations and the integration of the nations' economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. According to the literature review & my survey, the effects of globalization on Indian Industry have proved to be positive as well as negative.

The government of India must try to make such economic policies with regard to Indian Industry's Globalization that are beneficial and not harmful. Under the present deprived conditions of unorganized sector, this would lead to imbalance in the labor market leading to more supply of labors, low wages and low level of income. This situation would affect the social and economic conditions of the unorganized working population. Human resource Practices in various areas of Indian sectors, the activity are targeted like order filling, customer service, manufacturing processes, and human resource management. It is being observed, managers study the best practices of leading companies, not necessarily those in the same line of business, and then try to implement them in their own organizations.

KEYWORDS:

Unorganized sector, Dismantling , Imbalance

INTRODUCTION

Human Resources departments are transforming as the modern business faces numerous and complex challenges, and exploit opportunities. The transformation of human resources today is a direct call of the rapid changes within businesses due to factors such as globalization. In the global competition within the flat and connected new world, decision making in organizations has become increasingly intricate and convoluted. The new global world has widened the talent pool for excellent and marginal workers, and for permanent and fluid workers.

An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). Human resources need to take advantage of technology and data analytics to build a global human resource information system that collects and stores data from various sources.

The system will help to analyze the data to provide business insights, predict future needs and develop strategies to fill those needs. Companies with the ability to foresee and sustainably manage their workforce needs – especially for high skills – will gain the decisive competitive advantage (World Economic Forum, 2010a). The global supply of talent is short of its long-term demand, and the gap is a challenge for employers everywhere.

The shortage between the demand and supply of talent is likely to continue to increase, notably for highly-skilled workers and for the next generation of middle and senior leaders. Most emerging nations with large populations, including Brazil, Russia, India, and China, may not be able to sustain a net surplus workforce with the right skills for much longer. Now, more than ever, organizations need to place greater emphasis on attracting human capital rather than financial capital. Because capital is broadly available from investors and lenders, and innovations can be duplicated relatively easily and quickly, effective human resource management is the best way to differentiate one company from another.

Global staffing and global leadership development are the two components of global human resources with the greatest potential for powerful leverage for global firms (Pucik, 1996). Only the multinationals that will be willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain the right talent, and will likely succeed in the global competition.

FACTORS DRIVING GLOBALIZATION

The increasing prevalence of globalization is driven by a number of factors, including shortage of talent in developed countries, availability of low cost labor and growing consumers in developing countries, and technological progress.

Shortage of Talent in Developed Countries

Despite the current economic downturn and unemployment, most developed countries, including the United States, Germany and Japan will face long term talent shortages mainly due to ageing and the retirement of baby boomers. There are more workers retiring than entering the labor force in these countries. By 2020, for every five retiring workers, only four new workers will join the labor force in most developed countries. According to one estimate the United States will need to add 26 million workers to its talent pool by 2030 to sustain the average economic growth of the two past decades (1988-2008) unless a technological breakthrough replaces manpower, while Western Europe will need to add 46 million employees (World Economic Forum, 2010).

My research is confined to Uttar Pradesh area where the shortage of workers is predicted across most industries, including manufacturing, construction, transport and communications, trade, hotel and restaurants, financial services, IT and business services, health care, public administration, and education.

Availability of Low Cost Labor

The opportunity has never been greater for multinationals to attract top talent from emerging countries or to outsource work to the countries. Global population growth differs greatly between developed and developing countries. In the developed countries, the current annual rate of growth is less than 0.3 per cent, while in the rest of the world the population is increasing almost six times as fast.

According to McKinsey Global Institute, there are approximately 33 million potential professionals in emerging markets and they are growing very quickly. The stock of suitable, young professional talent in emerging markets is growing at 5.5 per cent annually, while the number in developed countries is growing at just 1 per cent annually (McKinsey Global Institute, 2005 - II). The total number of university-educated workers in low-wage countries far exceeds the number for higher wage countries.

Currently, India produces as many young engineers as the United States, and China produces more than twice as many. Russia produces 10 times as many finance and accounting professionals as Germany. According to the International Organization for Migration, there were an estimated 214 million international migrants in the world in 2010, and fifty-seven per cent of all migrants live in high-income countries (World Migration Report, 2010).

The number of migrants is likely to grow exponentially in the coming years. Furthermore, the migration of workers and outsourcing of work

would not be limited to unidirectional flow from emerging countries to developed countries.

Technological Progress

Globalization is made possible by the development of cost effective, yet very powerful technologies, including the Intra- and Internet, enterprise resource planning system, data warehouse, data mart, and data analytics. Friedman (2005) defined globalization a whole set of technologies and political events converging—including the fall of the Berlin Wall, the rise of the Internet, the diffusion of the Windows operating system, the creation of a global fiber-optic network, and the creation of interoperable software applications, which made it very easy for people all over the world to work together—that leveled the playing field. It created a global platform that allowed more people to plug and play, collaborate and compete, share knowledge and share work, on a scale never seen before.

Cloud computing and new advances in remote access and support technologies also seem to fuel globalization. Many service jobs, such as call centers, animation, transcription, and software development can be carried out remotely. It is estimated that 160 million jobs, or about 11 per cent of the projected 1.46 billion service jobs worldwide in 2008, could be carried out remotely, barring any constraints on supply (McKinley Global Institute, 2005 - I).

Section 5 discusses a global human resource information system that collects and stores large volumes of data from various sources, including external and remote sources. The system is designed so human resource personnel are able to analyze the data to get business insights, predict future needs and develop strategies to fill those needs.

CHALLENGES OF GLOBALIZATION

As stated in the previous section, the pool of talented individuals has been growing and is expected to continue to grow in the near future, mainly because of increased educational opportunities in emerging nations. In addition, the demand for such talent is likely to grow even faster in the same period. Based on data from 22 countries and 12 industries, a World Economic Forum study predicted that vast talent gaps between the supply and demand of highly skilled workers would appear by 2020 (World Economic Forum, 2011).

The demand for talented people is growing not only from developed countries, but from the developing countries themselves as they pursue their own nation building. Human resource professionals at multinational companies in emerging markets such as China, Hungary, India, and Malaysia have reported in a recent survey that candidates for engineering and general-management positions exhibit wide variations in suitability (Guthridge, Komm, and Lawson, 2008).

According to the McKinsey Global Institute, only 13 to 19 per cent of 33 million university graduates in developing countries are suitable to work in a multinational company, due to their lack of language skills, low quality of educational system, and lack of cultural fit. Also, only a fraction of these people are willing or able to relocate to foreign countries for employment (McKinley Global Institute, 2005 - I).

It also remains the biggest challenge for global organizations 'Human Resource departments to manage a workforce diverse in culture and language skills, and distributed in various countries. It is critical that the businesses not only familiarize with local ways of doing business, and understand the needs of local consumers, but also develop a global mindset among their employees.

Being at the center of globalization, multinational organizations need to learn to integrate diverse value systems and espouse shared global work values to create an environment, where workers are able to communicate and coordinate their activities to reach common goals (Rosenblatt, 2011; Erez and Drori, 2009; Ralston et. al., 1997). Human resources must play new roles and responsibilities in leading the organization in uncharted waters of globalization.

ROLES AND RESPONSIBILITIES OF HUMAN RESOURCES

In the past, the function of human resources was typically considered a cost center and an administrative overhead. The human resource departments focused on short-term gains and savings. They focused on administrative efficiency and compliance activities. They tended to expense investments in talent intangibles rather than capitalize and tended to raise short-term earnings by cutting discretionary expenditure on people development (Guthridge, Komm and Lawson, 2008; Hamel and Prahalad, 1994; Schuler and Jackson, 1987, Bryan, 2007).

Such tendencies achieved short-term successes but encountered long-term problems when the objectives were achieved at the expense of employee productivity. The role of modern human resource departments is to focus on organizations long-term objectives. Instead of focusing exclusively on internal human resource issues, modern human resource department takes a balanced and broader approach.

They place emphasis on future-oriented plans and objectives and value adding initiatives (Adler and Ghadar, 1990; Adler, 1997; Kobrin, 1988; Milliman et al., 1991; Tung and Punnett, 1993). Ulrich (1996) defines the roles of human resource based on the following four functions – Strategic business partner, Change Agent, Employee champion, and Administration Expert. They are also champions of globalization and technology savvy.

Strategic Business Partner and Change Agent

Strategic business partner and Change agent functions are about leading and helping in formulating the organization's overall business strategy and to align human resource activities and initiatives with the organization's overall business strategy. Unless the human resource strategy is appropriately formulated and skillfully implemented, success of the organization is at risk (Belcourt and McBey, 2010).

In these roles, the human resource professional contributes to the formulation and the accomplishment of the organization-wide business plans and objectives, and formulates the human resource business objectives to support the attainment of the overall strategic business plans and objectives. Talent planning should be inextricably linked with strategic planning and, as such, regularly addressed by human resource executives. Companies need to develop leaders capable of generating growth and effectively managing a multicultural workforce.

Leaders themselves need to represent diverse cultures and backgrounds so the structure of the decision-making bodies within organizations reflects a more diverse composition of the marketplace (World Economic Forum, 2010). The human resource personnel do periodic evaluation of the effectiveness of the organization at the corporate level. The personnel anticipate changes and understand what is necessary to implement them. The human resource professional is skilled in acquiring business insight in order to predict changes, and make informed decisions at operational and strategic levels.

The human resource professional accesses current requirements and anticipates future skills shortages through strategic skills planning. Business volatility and uncertainty increase the need for companies to rely on advanced analytics, scenario simulations, and other sophisticated workforce-planning levers (BCG and WFPMA, September 2010).

Partner with Frontline and Middle Managers

One of the characteristic features of human resource literature is the pivotal role that has been given to frontline managers as a delivery point for a variety of employment policies that are intended to raise the performance of the workforce (Patrick, McGovern, Lynda Gratton, Veronica Hope-Hailey, Philip Stiles and Cather, 2007). The people and performance research carried out for the CIPD by a team at Bath University found a direct correlation between employees feeling positive about their relationship with their frontline managers and them being more likely to have higher levels of job satisfaction, commitment and loyalty which are associated with higher levels of performance (Hutchinson, S. and Purcell, J., 2003).

The human resource role is to partner with frontline and middle managers to effectively acquire, develop and retain human capital for all business units in the company. Modern technology has made it possible to for human resource personnel and line managers to have virtual, without face-to-face, meetings and communications.

Employee Advocate and Champion of Globalization

As an employee sponsor or advocate, the human resource manager plays a pivotal role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be

motivated, contributing, and happy (Ulrich, 1996). When employees are motivated they want to do their best work – not out of obligation but because their job matters to them, both professionally and personally. On the other hand, discipline comprises systems, policies, and practices that raise accountability. When motivation and discipline unite, employees are excited about, accountable for, and rewarded for their work (BCG and WFPMA, July 2010).

Workplace flexibility is expected to be on the rise in the future workplaces and thus, most of the interaction between human resource personnel and line managers or workers will be Virtual, without face-to-face, meetings. The human resource personnel are a champion of globalization, and help develop global mindset in its employees. Having a global mindset implies recognition of benefits that can flow to the whole organization from encouraging and valuing cultural diversity in people. Globalization is increasingly adding one more thing to low-cost labor and highpower technology: unfettered imagination–that is, high innovative and creative capabilities (Friedman, 2005). The role of human resource is to implement the necessary organizational strategies with sensitivity to specific cultural influences (Pucik, 1996).

GLOBAL HUMAN RESOURCE INFORMATION SYSTEM

Global organizations are utilizing the organization's data to making informed decisions instead of relying on their intuitions or gut feelings. Likewise, HR departments of global companies also assemble data such as employee, attrition and hiring, compensation and benefits, ethnic, gender, cultural, and nationality distributions, and load the same into data warehouses and data marts. By analyzing the past and current data, business analyst get business insights, and make fact based decisions.

The Global Human Resource Information System consists of a number of component systems that are interdependent. The various components may be broadly classified into the following three main sub-systems: Data Warehousing, Data Analytics, and Information Delivery. These tools and systemic processes are critical to formulate questions or hypothesis, to design data and analytical models, to compute and communicate results to appropriate users, and then for the users to draw business insight from the results to shape business decisions and, ultimately, improve performance.

The Data Warehousing System A data warehouse is a decision support database that is maintained separately from the organization's operational databases. Operational databases contain data pertaining to each transaction while data warehouses contain summary data such as totals, counts, maximums and minimums. The data stored in a data warehouse is optimized for querying and data analysis.

Data warehousing systems

Deals with design, implementation, and operations of a data warehouse including data extraction, data cleansing, data transformation, and loading of data from different sources. The system also includes meta-data management, security management, backup and restore, and disaster recovery. The data warehouse is able to collect and coalesce data from various sources.

Employee data is generally housed in separate human resource systems based on vertical human resource functions, such as benefits, payroll and compensation, leave, training, performance appraisals and surveys and/or horizontally across functional areas. Companies need to identify all internal and external data sources and then consolidate the data into a human resource data warehouse or, one or more data marts. Some examples of external data sources are US Bureau of Statistics, Open Government Directive Datasets (data.gov), collective agreements, labour market trends, labor regulations, and industry benchmarks.

The design of a data warehouse depends on identifying facts, dimensions, and granularity. Facts are summarized numerical data stored in a table called a fact table. Dimensions are categories by which summarized data can be viewed. Each dimension can have one or more hierarchies. Hierarchies are logical structures that use ordered levels as a means of organizing data. Query tools use hierarchies to drill down or roll up into your retrieved facts to view different levels of granularity.
Granularity refers to the level of detail of the data stored in a fact table. The more detail there is in a fact table, the higher its granularity and vice versa. We may also (for performance and confidentiality reasons) choose to store the facts at some intermediate level of granularity. As compared to the data warehouse with highest granularity, this data warehouse does not contain details that could be very valuable to the company. In general, as the granularity level is lowered, the system contains less detailed information (therefore less useful), but gains in performance (in speed and storage) and confidentiality of individual records.

Information Technology professionals are responsible overall for designing a data warehouse system that is optimal in storage and performance, while the human resource department is responsible for ensuring that each user in their group has the information in enough detail to do his or her job. Performance and usefulness oppose one another; thus, Information Technology and Human Resources departments need to find an optimal overall solution that is best in the long run for the organization as a whole.

The Business Analytics System

Global Human Resource Information systems are generally very rich in business analytics applications, including Online Analytical Processing (OLAP), data mining, and advanced analytics applications based on statistics, forecasting and predictive analytics. These applications can not only give answers to questions such as, ―What happened? Why did it happen?‖ but also can enables the user to predict and influence the future. The advanced analytics can answer deeper human resource questions, such as ―In what ways human capital investments will contribute to business performance? ―How much do human resource activities impact employee performance? or ―What skill needs and opportunities lie ahead? OLAP applications can retrieve summary statistics (metrics), such as totals, averages, percentages, standard deviations, maximum, minimum of data measurements (facts) from multiple dimensional views.

These applications are capable of performing several data retrieval operations, including Drill down, Roll up, and Slice and dice and allow users to view metrics based on different detail levels. Mega BI vendors have incorporated comprehensive statistics packages within their BI software system. For example, IBM has incorporated the SPSS with their BI Cognos system, and SAS Inc. has developed their BI software with a core consisting of their celebrated statistical packaged software. Microsoft has developed XLSTAT, an add-on to Excel for Statistics and multivariate data analysis. Along with the inclusion of statistical capabilities, BI vendors have also incorporated Data mining capabilities in their software. Data mining is an extension of statistical techniques such as, classical and artificial intelligence.

Statistical techniques are generally applied to relatively small-size sample data selected randomly and specifically to validate a hypothesis. These techniques conform to a set of assumptions about the population and are called verification driven techniques'. Data mining includes techniques called discovery driven techniques 'that do the exploration and analysis by automatic means of large quantities of data in order to discover meaningful hidden patterns in order to find relationships, associations, and trends among the data measurements (Kim, 2002; Tan, Steinbach, and Kumar, 2006; Shmueli, Patel, and Bruce, 2010) and this knowledge is then applied to achieving specific business goals.

By contrast, predictive analytics includes statistical, mathematical, and data mining analyst-guided (not automatic) techniques that do the exploration and analysis of large quantities of data in order to make decisions by forecasting the outcomes. Whereas OLAP and data mining focuses on past performance, predictive analytics forecasts behavior and results in order to guide specific decisions. If OLAP and data mining can elucidate what has happened and why, predictive analytics can advise on the appropriate response action.

The Information Delivery System

The information delivery system gives business users the ability to access reports and continuously monitor performance of a project or entire organization at enterprise and lower levels. End users are also able to monitor key activities such as trends, metrics, and Key Performance Indexes (KPI) in easy-to-understand designs, such as configurable information portals, scorecards and dashboards. Depending on an individual's role and responsibility, he or she is presented with the trends, metrics, and KPI at appropriate aggregate levels. Some users can get to the lowest detail that exists in the warehouse.

GLOBALIZATION OF MARKETS

As such, they are able to take advantage of varying interest rates and currency markets by tapping a wide variety of funding sources. The implications of the increasingly global nature of market transactions are many. In a fundamental sense, it makes the distinction between domestic and international redundant and superficial. It threatens those players that confine themselves to a narrow set of opportunities and it rewards those that can envision and operate in a larger space.

Those enterprises that learn to operate in a more complex, uncertain environment are more likely to succeed. As transactions gain international character, they have a drastic impact on firm performance and industry structure. On one hand, global linkages may shorten product life cycles, create intense price pressures, displace manufacturing, outdate technology or design, or simply cause sales and profitability declines.

On the other hand, global exchange may lead to new growth opportunities, new sources of know-how and production inputs, new product ideas, or partnerships which cause synergy and new sources of competitive advantage. Entire industries, if caught unprepared, can be lost to competitors due to the realities of global competition. In the United States, we have all observed the decline of industries such as steel, textiles, shoes, tires, and electronics. Many other lesser-known industries have faced near extinction: musical instruments, motorcycles, and outboard engines, to name a few.

Globalization raises many practical issues and concerns for the individual business enterprise. What sorts of guidelines and input should guide product design. How desirable are knowledge-sharing agreements. Joint development of technology and know-how. What are ideal features of international business partners. How should management monitor competitive activity? How can competitive advantages be created and sustained? What degree of attachment is optimal to alternative sourcing and production locations around the world? Management has to grapple with these and many other similar questions on an ongoing basis. In most industries, this is not a matter of choice but of necessity.

No one line of business or industry is totally immune from international competition. In truly global industries, competition is among a relatively few dominant companies around the world. Examples are earth-moving equipment,automobiles,pharmaceuticals, consumer electronics, tires, telecommunications, and medical equipment. In addition to implying a different nature of economic transactions and a diverse set of players, globalization of markets causes the individual firm to understand and operate within a more complex political, legal-regulatory, and cultural framework.

While the transactions are fundamentally the same, the context is quite different, and often, overwhelming for managers. To operate successfully in less familiar environments, managers must develop a sufficient understanding of the government sector, regulatory framework, and the cultural idiosyncrasies of the markets where they wish to do business.

Although there are strong forces toward standardization or "homogenization" of customer segments across different countries, the political, legal, and social environments exhibit significant variations. Not only will the manager need to develop knowledge of such country-to country differences, but must also understand the interplay among such factors.

IMPACT OF GLOBALIZATION ON DOMESTIC INSTITUTIONS

No industry has escaped the impact of globalization. Some have been hit hard, for example; automobiles, chemicals, electronics, steel, textiles, and tires. Others, such as food and beverages, paper, pharmaceuticals, and industrial machinery and equipment, have fared better. An ongoing restructuring was put in motion as a result of the globalization of markets. Downsizing, consolidation, and reconfiguration are common terms used to describe the current state of affairs in all industries.

At the firm level, managers have come to recognize that constant productivity improvement is the only durable solution to remaining economically viable. Those companies that operate in global industries find that they must achieve "world class" status. This implies that they must benchmark against the best of their competition, wherever they are located. Benchmarking refers to the process of identifying, learning, and implementing the best practices of world class organizations.

Human resource Practices in various areas of company activity are targeted: order filling, customer service, manufacturing processes, and human resource management. Managers study the best practices of leading companies, not necessarily those in the same line of business, and then try to implement them in their own organizations. There are now consortia of firms who agree to facilitate benchmarking studies at each other's facilities.

The new realities of the global marketplace have prompted business organizations to be constantly in search of enhanced productivity and new sources of competitive advantage. Such efforts to critically examine one's capabilities can be classified into several thrusts, discussed below. A. Managing the Value Adding Activities A useful way of critically examining a company's strengths and weaknesses is to focus on its value chain.

A company's value chain is an interdependent system or network of activities, connected by linkages. Major functions/processes which add value to company offerings include technology development, product design, manufacturing, marketing, distribution, and sales. Each incorporates several sub-functions.

For example, the manufacturing area implies choices with respect to such things as capacity, location, procurement of inputs, and integration. Managers are required to look at each critical value-adding activity and ask two fundamental questions:

(1) Is this a function where we have core competence (i.e., a sustainable advantage vis-a-vis competitors); and

(2) If not, should we externalize the function (i.e., farm it out or contract it out) if an external organization can perform it more economically than we can? This process of soul-searching has led companies to alter their traditional activities in fundamental ways. Activities are rearranged and reconfigured in search of greater value for customers, but not always in a smooth and painless manner.

Total Quality Management

Not unrelated to the desire to streamline and increase the efficiency of value-adding processes is the attempt to enhance product-service appeal. Total quality management (TQM) refers to a management philosophy which emphasizes customer service and employee teamwork to improve product service." While some consider it a trendy management tool, it is a strong force driving companies toward ever higher standards of product-service quality. There are indications that law firms are also adopting TQM principles. Among other things, law firms are attempting to improve the accuracy, timing, and format of bills, and are urging lawyers to manage their time better.

Innovation and Time to Market

Another type of race in today's business organizations refers to the ongoing process of product and process innovations in order to create or sustain competitive advantages. Firms attempt new Discoveries in order to respond to:

(a) New technologies;
(b) Shifting buyer needs;
(c) New industry segments;
(d) Changing input costs; and
(e) New government regulations.

In addition to the capacity to innovate, the speed with which these innovations can be converted to tangible products/services, and then commercialized, can be a great competitive advantage. Globalization of markets mandates efficiency not only in the process of creative discoveries, but also in the process of taking the product to market. "Early mover" advantages are especially important in technology-intensive industries. D. Networks and Alliances A fundamental consequence of globalization of markets is the need to establish productive partnerships with other organizations at home and abroad.

The costs, complexities, and risks associated with business ventures drive companies toward collaboration with partners. Partners may include overseas distributors or agents, contract manufacturers,

trading companies, freight forwarders, and even competitors. Partnerships are established to seek synergy in all value-adding activities including manufacturing, research and development, and marketing.

Technology, Information and Globalization

Technology, including the information revolution and globalization continue to exert major effects on HRD. Many enterprises have claimed that the benefits of technology have not matched the cost of investment in it. The reason for this in most cases is that technology has not been used productively or usefully. Technology per se is not productive, and does not add value unless there are people who can use it productively.

Total factor productivity in the major economies is estimated to have declined since the mid 1970s, and growth has been explained in terms of labour and capital inputs, the contribution by technology being considered relatively minor. Among the many explanations which have been advanced for the apparent failure of technology to deliver the expected productivity gains are the following:

Computers, for instance, are not being used mainly for productive purposes.

Investments in technology have often been aimed at gaining market share, rather than improving the efficiency and effectiveness of existing production.

There is always a delay between the introduction of technology and productivity gains resulting from such introduction. Diffusion of technology across an economy has to be sufficiently widespread (at least 50%) for productivity to be reflected in the productivity figures.

Even in the USA computers account for only 2% of its total capital stock.

The productivity benefits of technology are already in existence, but productivity measurement devised for a different type of operations (manufacturing) do not reflect them. According to these measurements productivity in manufacturing (in many of the rich economies) has increased. The low productivity increase rate claimed for services is due to the fact that productivity in services cannot, as yet, be reliably measured. Knowledge, for example, is difficult to measure.

Part of the benefits of technology are not derived from cost reductions, but from improvements in quality, greater customer choice and better service. Information technology, like knowledge, is easily and widely accessible, but is valueless without the knowledge and skill to use it productively. Information technology (IT) is closely linked to the forces of globalization:

Implications for Employers

The issue for employers (and for employees and economies) goes beyond the need to upgrade the skills of the current workforce. It is also necessary to equip future entrants to the workforce with the requisite education which makes them 'trainable' for emerging and constantly changing skills requirements. Improvements have to be equally qualitative as well. Employees need to be endowed with the capacity to move from one skill to another as each one becomes obsolete, and to develop the cognitive, analytical and inter-personal skills required to work in a modern organization and as the economy progresses from one level of development to another.

Four situations are discernible among developing countries in Asia. The first consists of countries with high adult illiteracy rates (especially among women). The countries with over 40 per cent. Adult illiteracy rates (as at 1995) are: Nepal 73%, Bangladesh 62%, Pakistan 62%, India 48% and Laos 43%. The consequences of pervasive illiteracy to a country's capacity to move up from a low-wage, low-skilled economy to value-added activities is obvious.

A second category consists of countries which have experienced high growth rates during the last decade and have high literacy rates, but with low levels of secondary education constraining their ability to move beyond low technology and basic service activities. In some of these countries a very high percentage of workers have had only a primary education and/or a minuscule percentage of them have undergone vocational training in any structured way.

A third category consists of countries which have advanced rapidly, are paying particular attention to education and skills and are investing heavily in them but suffer shortages of skilled and/or unskilled workers because of their rapid industrialization (Korea, Singapore, Malaysia).

A fourth category may be suggested as being represented by Myanmar, Sri Lanka and the Philippines with high literacy and secondary school enrolment rates and good levels of tertiary education. But they failed to develop for reasons outside the scope of this paper, though the Philippines is at least now launched on the path to progress.

In the case of Sri Lanka, even though tertiary education is available and free for everybody, the education system was less geared than it should have been to linking up with job requirements, resulting in educated unemployed and acute social and political tensions and disruptions.

It is instructive to note that the former centrally planned East European economies have well educated workforces. It is estimated that their primary and secondary education systems "are nearly as good as those of industrialized countries, and far better than those of many fast-growing developing economies." Consequently these countries have a significant advantage over some fast developing countries in attracting higher value-added investment, absorbing new technologies, and adapting to new skills requirements through training.

Some of the problems they face - such as political ones and the lack of management skills to manage in a competitive environment - are also ones faced by other countries in transition to a market economy.

It may be argued that the trend towards more knowledge-based activities is relevant to industrialized rather than to developing countries. This is not so. Industrialized countries are less dependent today on developing countries for raw materials since goods manufactured in their countries have substantially less raw material components than they did before.

Less labor is needed in manufacturing processes today to produce the same volume of goods. As investors move their operations from one location to another (facilitated by the reduction of investment barriers, trade liberalization, deregulation of financial markets and advances in technology), the choice of country for investment is determined by the needs of each industry. Availability of cheap unskilled labor will attract low cost, low skilled, high volume businesses.

But higher value-added activities are attracted by the quality of the available workforce. Even in high volume production and the provision of basic services (e.g. tourism-related), due to the spread of information and advances in communication technology and travel, customers increasingly expect higher quality products and services.

Human Resources Development for Socio-Economic Development

If in the past planners failed to make investment in HRD a central theme of development strategies, it was due partly to the difficulty of distinguishing between what parts of HRD represents an investment and what part represents consumption. While investment in human resources promotes economic growth, a country's economic capacity also determines its ability to invest in its human resources, so that "A good educational system may be the flower of economic development, but it is also the seed."

Several circumstances, as illustrated by the following, account for HRD now occupying center stage :-

Earlier development strategies which largely neglected the social aspects of development, did little to promote growth, and this resulted in political and social unrest in several countries.

High productivity depends on the quality of human capital (and on how human resources are used) - a lesson to be learnt from the 'developed' countries. As contended by Peter F. Drucker productivity is arguably the most important social event in the developed countries in the past hundred years.

Education, management and training shorten the time-span within which a country with low wage costs can achieve higher productivity though with high productivity wages will rise.

HRD (including easy access to education) contributes to a more equitable distribution of income. It thereby negates the necessity for compulsory redistributive measures (such as through the tax system) which usually have negative consequences.

There has been a steady decline in the importance of other resources such as natural resources, in creating national wealth.

Shorter product life and the consequent need for workers to be able to absorb new skills quickly impact on education and training needs. Education has to contribute to trainability; education does not cease with school or university; methods of teaching adults have assumed importance, and employers need to invest in training and retraining.

In mature economies a lack of investment in education and training increases the risks of unemployment, as well as wide disparities in income.

Information and advances in other technology have increased the demand for intelligent workers who can extract the most out of technology, as well as for people at higher levels to create and adapt technology to new uses.