

Post-Reform Labor Market Paradoxes in India

Geeta Nair*

The research paper attempts to review the impact of the 'New Economic Policy' on employment in India by highlighting the 'jobless' nature of growth and emerging paradoxes in the labor market via the case study of 150 industrial units. The pattern of industrialization accentuated sectoral imbalances that were hastened by a technology-intensive growth that led to a fall of organized sector jobs and rise of the unorganized segment, along with informalization of the formal sector itself due to sub-contracting, back-processing, and out-sourcing of production. Thus, the quantum of employment suffered a setback, along with its quality and security. The blind acceptance of flexible labor policies propagated by the World Bank model without ascertaining the ground realities is proving to be disastrous, particularly in the absence of social security or a welfare state. A revisit of globalization and the repercussions of its attendant Neo-liberal policies are pleaded for in the name of India's newly avowed goals of 'inclusive and humane' development via meso economic analysis

Field of Research: Impact of 'New Economic Policy' on employment, Post-Reform Labor Market Paradoxes in India, 'Inclusive and Humane Development', Meso Economic Analysis.

1. Introduction

The trans-millennium transition of world economies has occurred at a fast pace in our borderless world, most of the outcomes and repercussions of which have been sudden and unexpected with multi-dimensional effects. India is no exception to this change process it was drawn into due to compelling situations at home and abroad. Surgical measures at the behest of international donors were adopted via the implementation of the 'New Economic Policy' in 1991. In fact, the late eighties had shown signs of labor market imperfections, alarming and ever growing rates of unemployment, and persistent dichotomy in the pre-global era.

*Geeta Nair, Head, Department of Economics, H.R.College, University of Mumbai, India, email:profgsnair@rediffmail.com

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The visibility of these dichotomies was intensified in the nineties as capital, technology, and borders became porous and highly mobile, but the labor component lagged behind. Not only was this 'human lag' experienced due to inter-sectoral imbalances between the rural and the urban segments, but also a divide that was intra-sectoral in the urban areas between industry versus tertiary sector; and more specifically within the industrial sector's organized/formal segment and its unorganized/informal one. Worst still, informalization that was expected to fade away as industrialization and development proceeded since the predictions of the early seventies by Keith Hart in his Kenya Mission (Hart, 1973) was falsified in the Indian case, as the informal sector not only grew as an independent entity parallel to its formal counterpart accounting for over 90 percent of the employment scenario, but also presented itself within the formal sector (Ramanujam, 1998).

2. Labor Market Paradoxes in an Era of Reforms

The paper focuses on the post-reform paradoxes in the labor market primarily on account of industrial reform. The general strategy aimed at providing level playing field to the private sector to bring in foreign capital, technology, and investment was ushered in order to promote high growth. Unfortunately, it created a 'jobless growth' with glaring inequalities. The pattern of industrialization accentuated sectoral imbalances hastened by a technology-intensive growth. Thus, open unemployment and under-employment were natural consequences of an open economy. The share of organized sector jobs is rapidly falling, while that of the unorganized segment continuously rising, as evident from figures of 95 percent of employment (NSS, 1993-94, and 1999-2000). Also, the trend of informalization of the formal sector due to sub-contracting, back-processing, and out-sourcing of production is seen leading to a setback to the quantum, quality and security of employment. Today, the dictum of the labor market revolves around more work, less pay, uncertain incomes and dismal levels of living for the working class. A new kind of competition is seen to emerge at the level of professionals and skilled labor that is willing to be exploited due to the 'hire and fire' policies, as well as weak trade unionism, accelerating the divide between rich and poor workers (WDR, 1995). Employers and investors in the name of efficiency and cost cutting resort to rationalization, downsizing, restructuring of employment; along with outsourcing, contractualization, home working, part time jobs, and job sharing that retard the growth of employment. Burgeoning population and lack of requisite education, skills, and training worsened the divide between the masses of workers and classes of professionals in the IT, pharmaceutical, banking, insurance, and other sunrise sectors. The backlog of unemployment inherited by the previous plans and the new amounts of unemployment created a vicious cycle of unemployment, poverty, debt that was too large for any singular plan or policy to tackle.

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The blind acceptance of flexible labor policies propagated by the World Bank model without ascertaining the ground realities is proving to be disastrous, particularly in the absence of social security or a welfare state (Deshpande, 1996). Market oriented models are known to mechanize and globalize the primary sector leading to a threat to livelihoods of the masses. International agencies of the Fund-Bank and the WTO put conditionalities of increased market access, reduction in subsidies and food security, patenting of farm products and processes that erode the precarious socio-economic conditions of our rural masses (Bhalla, 1996 and Ghose, 1999). It has also straitjacketed India into the service sector, thereby producing asymmetries in industrial growth and employability (Institute of Applied Manpower Research, 2002). Thus, severe inter-sectoral imbalances drastically result in a dampening effect on the quantum and quality of employment. All this creates structural retrogression, deceleration, and anomalies in the labor market on account of increasing casualization, feminization, and informalization of work.

Other disturbing trends also arise due to rigidities in policies leading to sluggish growth in employment (Ahluwalia, 2000) in the post-reform era accompanied by structural changes in employment in the industrial sector in favor of unregistered enterprises that lead to flexibilization of work and an undermining of organized labor power (Nagaraj, 1994). Few economists point to initial gains in employment and wages that prove to be marginal on a larger canvass of sluggish employment growth with its correlations in poverty, inequality, and basic living conditions (C.P.Chandrasekhar and Jayati Ghosh, 2002).

3. Secondary Data Analysis of Emerging Employment Trends in India:

National level data on employment-unemployment is collected by official sources like the National sample Survey (NSS) on a macro economic basis and by the Economic Census conducted every decade. The following table shows the extent of rural and urban employment over the seventies and eighties in the pre-globalization era contrasted by the figures for the nineties and present decade of 2000 in the post-globalization period.

Table 1: Proportion of Rural and Urban Unemployment in the Pre-and-Post Globalization Period: (in millions)

Year	Rural	Urban	Total
1987-88	252.5 (78 %)	69.5 (22 %)	322.0
1993-94	290.3 (78 %)	81.8 (22 %)	372.1
1999-00	300.8 (76 %)	96.0 (24 %)	396.8

Source: National Sample Survey, Government of India, 1987-2000.

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The above table clearly shows a deceleration in employment in the rural sector, especially after the nineties, and more so ever in the second generation reform period of 2000 onwards. However, paradoxically, urban employment has increased marginally in the present decade after stagnating in the nineties. This trend depicts the shift in livelihood patterns from the country side to the urban areas due to migration and declining share of the primary sector, particularly agriculture and a shift towards the secondary, and more towards the tertiary sector in India.

Table 2: Proportion of Farm and Non-Farm Employment in Rural and Urban Areas: (in millions)

Year	Farm Emp. (R)	Farm Emp. (U)	Total	Non-Farm Emp. (R)	Non-Farm Emp. (U)	Total
1987-88	197.71 (61 %)	9.31 (3 %)	207.02 (64 %)	54.79 (17 %)	60.19 (19 %)	114.98 (36 %)
1993-94	227.60 (61 %)	10.06 (3 %)	237.66 (64 %)	62.70 (17 %)	71.67 (19 %)	134.34 (36 %)
1999-00	228.61 (58 %)	8.64 (2 %)	237.25 (60 %)	72.19 (18 %)	87.36 (22 %)	159.55 (40 %)

Source: National Sample Survey, Government of India, 1987-2000

The above table clearly demonstrates a percentile decline in farm employment despite a rise in absolute numbers. This is contrasted by a rise in total number, as well as percentage increases of a phenomenal extent in case of the non-farm sector; clearly showing a sectoral shift from the agrarian to the non-agrarian segment after reform. However, the farm employment in the urban areas has risen marginally due to a small proportion of urbanites taking recourse to farming of exotic varieties of cash crops like mushrooms, Chinese vegetables, strawberries, and also resorting to 'absentee landlordism' to avoid high rates of urban taxes and declare their income as farm-earned (as agricultural incomes in India are not taxed). Interestingly, non-farm jobs in the rural areas are seen to accelerate as the allied industries and infrastructure projects of power and telecommunications have got a significant boost from the private sector in the post-globalizing era.

Table 3: Employment Elasticity of Various Sectors

Sector	1983 to 1993-94	1993-94 to 1999-00
Agriculture	0.70	0.01
Mining & Quarrying	0.59	-0.41
Manufacturing	0.38	0.33
Electricity, Gas, & Water Supply	0.63	-0.52
Construction	0.86	0.82
Trade, Hotels, & Restaurants	0.68	0.62
Transport, Storage, & Communication	0.55	0.63
Financing, Insurance, Real Estate, & Business Services	0.45	0.64
Community, Social, & Personal Services	0.68	-0.25
ALL	0.52	0.16

Source: National Accounts, GOI; Central Statistical Organization, GOI (1983-2000)

The above table clearly shows us that even in the pre-reform period, employment elasticity was low despite the public sector's policy of 'promising to provide full employment' as the method of production was capital intensive, and technology was mostly imported. However, the reform period after globalization was peculiarly bad as employment elasticity nosedived to 0.16, almost over 2/3rds decline with the worst fall in government dominated industries like mining & quarrying, gas & water supply, and community & personal services. Construction remains a strong generator of employment, along with tertiary activities of tourism, trade, transport, finance & real estate.

4. Primary/ Field Level Study

This peculiar case study covers 150 industrial units located in the Northern suburb of India's financial capital of Mumbai called Kandivali. Ironically, this was private land belonging to the local fisher folks that was confiscated from them in the seventies by the then Government of Late Indira Gandhi in the name of Urban Land Ceiling Act of 1970 & the Monopolies & Restrictive Trade Practices Act, 1973 for promoting equity and social justice. The post-nineties saw a total U-turn in policies and attitudes towards private monopoly as this government owned industrial estate land was leased to private enterprises for rent-seeking by the sagging public sector. Strange are the ways of public policy that has changed its course from prohibiting monopoly and the private sector to now promoting private sector and accepting monopolies and concentration of income and wealth as concomitant with reform.

4.1 Purpose of the Study:

- To review the impact of reform on labor;
- To highlight the 'jobless' nature of growth;
- To focus on impact of industrial reform on employment & the resultant paradoxes in the labor market;
- To suggest a revisit of macro policies for an 'inclusive & humane' development via meso economic analysis.

4.2 Methodology:

The paper largely uses secondary data base for drawing the impact of economic reform on employment in India. The results of a field analysis of workers in the Government's industrial estate at Kandivali are also included to gauge the micro level repercussions of national policies. Several emerging labor market paradoxes in the nineties have continued to dodge policy makers, as they question the efficacy of macro level outcomes at the grassroots. Thus, meso economic analysis is needed for linking the two levels of macro & micro.

5. Findings

Field analysis of 150 industrial unit workers confirms several anomalies in the labor market on account of reforms. Industrial restructuring may have created a few jobs in the short-run, but their continuity, permanency & security are highly questionable. Thus, the 'jobless nature' of growth is highlighted. The quantum of employment may have risen for a few, but the quality of jobs is highly questionable. Thus, general policy failures and lags are seen, as industrial restructuring should have been carried out along with labor market reforms. No reform can be carried out in a vacuum, as national level policies have their bearings at the grass root levels. Thus, there is an urgent need to bridge policy gaps and seek appropriate linkages by devising meso economic analysis.

Specific field work results depict the 'flexible labor policy' propagated by the Government's new Entry & Exit Policy that allows freedom of entry, as well as exit to private and public firms as a part of the larger global efficiency and competitiveness argument. It also highlights the changing nature of public-private partnership which ignores the human factor. Also, depicted was labor

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market fragmentation among old and new forms of work/ workers like home-based, part-time, ad hoc, full time temporary and permanent with no trade union of workers, but of employers to fight against the government or workers revolt, as and when it is feared to occur. Thus, the workers have become disjoint, disintegrated, and fragmented with each one willing to be exploited in the name of employment of this peculiar category of labor called 'flexi worker' in an emerging 'flexi firm'. The following table brings out the Labor flexibility as follows:

Table 4: Categories of Workers of 150 Industrial Units of Kandivali, Mumbai:

Category of workers	Male	Female	Total
Full time permanent	55	00	55
Full time temporary	205	15	220
Ad hoc	109	76	185
Part time	105	29	134
Home based	76	110	186
Total	550	230	780

Source: Field Survey of 150 Units in Govt. Industrial Estate, Kandivali, Mumbai, 2006-07.

The above table clearly shows the gendered pattern of labor market segmentation as men are known to enjoy better employment opportunities vis-à-vis their counterparts due to the traditional 'glass ceiling' that's become almost universal. Women barely account for 30 percent of total workers with no representation as full time permanent ones. The lower rungs of employment of ad hoc, part time, and mainly home based work are reserved for women. Unfortunately, during personal interviews, we found females to be quite content with this kind of employment also due to the 'subsidiary worker status' of a majority of whose incomes merely supplemented their husbands or father's bread-earning. Thus, the patriarchal nature of society seems to get reinforced in the economic sphere too, and home work is increasingly on the rise for both males and females on account of the convenience and takes home nature of work. Women were found to be attracted towards this type of work as they were seen to be good at multi-tasking and sharing it with children and elders at home. This further masks their visibility as workers, and mutes their voices of dissent as it excludes them from public spaces and trade union activity. The nature of work undertaken by men has also been changing drastically as they are compelled to undertake temporary, part time, and ad hoc work due to the changing nature of the flexi firm which has private ownership and is largely driven by export orders that could be irregular, sporadic, and temporary in nature. Thus, globalization has increased the mobility of capital, technology, and ownership; while the human factor of labor is ignored. Workers in this largely trade union dominated area are de-unionized due to their temporary status and survival concerns on one hand, along with competition among workers themselves to grab scarce jobs.

6. Not Conclusions

The Neo-Liberal market policies imposed by international agencies have proved to be disastrous on the labor and employment front. The Exit Policy has been misused by the private sector employers as an opportunity to change labor laws and downsize workforce (Chossudovsky, 1997). Its proposed safety net for displaced and vulnerable workers by way of the National Renewal Fund did not successfully cover the 4 to 8 million public and private sector workforce, who were unemployed by the 'Voluntary Retirement Schemes-VRS and Golden Handshakes' thrust upon them. The public sector is quickly implementing the compulsory VRS's and disinvesting itself, thereby worsening the deceleration in employment. This was clearly highlighted in the study of 150 units in the Government's industrial estate in Kandivali, a northern suburb in Mumbai. The field survey showed that the government was increasingly leasing its own properties, and enterprises to the private sector that employs labor on an ad hoc and temporary basis, and provides no benefits or security of work. Thus, the public sector is competing with its private counterpart towards the flexibilization of labor.

This clearly brings out the lack of humane policies followed by the government, questioning the efficiency and equity trade-off in the new millennium. Faulty public sector policy outcomes or failures in the timely implementation of appropriate measures could create several short, as well as long run disequilibria in the labor market that cause permanent distortions in economic growth and development with bearings on societies and polities. A soft State subjugated by foreign aid-granting agencies promising to provide a 'one size fits all' solution may have helped pull the nation out of crisis in the nineties, but will eventually cause greater structural retrogression and long-run damage. Thus, alternate strategies of 'glocalization' (Stiglitz, 2002, and 2003) and investment in human development and empowerment would provide lasting solutions to India's development problems. A meso analysis of linking the macro level with the micro is called for a midway solution between growth and efficiency.

The newly proposed National Commission on Employment of Unorganized Sector Workers' Bill (NCEUS, 2007) has yet to be implemented as a few disparate voices have appealed to the Prime Minister to work for the labor in this burgeoning segment of global India's reforming economy in order to provide them with basic welfare. However, its successful implementation involves multi-parties like the Central and State governments' contribution along with that of the employer's and workers which in itself is one of the major reasons for its delay. Thus, 'India Shining' may lose its glitter if the human angle is marginalized as the signs of a global meltdown are hitting our financial and capital markets from stories of boom to bust, and also jeopardizing our exports and oil pool deficits; thereby worsening inflation and living conditions

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of the masses due to falling employment and lack of social security measures or guarantees of livelihood (Ahluwalia, 1998; Deshpande, 1998; Deshpande et al, 2004; Fallon, P. and R. Lucas, 1991; SNCL, 2002).

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