

Post-Reform Labour Market Paradoxes In India'

Geeta S. Nair*

-An Abstract

Purpose of the Study:

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

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 labour 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.

Findings:

Field analysis of 150 industrial unit workers confirms several anomalies in the labour 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 labour 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.

*Dr. Geeta S. Nair,
Head, Dept. of Economics
H.R.College of Comm. & Eco.
Churchgate, Mumbai-400 020
drgeetanair@gmail.com.

Introduction

The trans-millennium transition of world economies has occurred at a fast pace in our borderless world. Most of the outcomes and repercussions have been sudden and unexpected with multi-dimensional effects on economies, societies, and politics. 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.

Labour Market Paradoxes in an Era of Reforms

The LPG strategy affected major areas of industry, agriculture, services, infrastructure, employment, and international trade. This paper tries to focus on the post-reform paradoxes in the labour market primarily on account of industrial reform. The general strategy of privatization, liberalization, and globalization was aimed at providing level playing field to the private sector. Unfortunately, it created a 'jobless growth' with glaring inequalities in distribution. The pattern of industrialization accentuated sectoral imbalances that were hastened by a technology-intensive growth. Thus, open unemployment and under-employment were natural consequences of an open economy. The divestment debate continues in the realm of second generation reforms, which will further dilute the role of the public sector, especially in terms of employment. Thus, 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, there is witnessed a trend of informalization of the formal sector itself due to sub-contracting, back-processing, and out-sourcing of production. Thus, the quantum of employment suffers a setback, along with its quality and security. Work is becoming increasingly casual, temporary, ad hoc and uncertain in nature. Benefits to labour and life time employment guarantees are fast eroding. Today, the dictum of the labour 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 labour that is willing to be exploited due to the 'hire and fire' policies, as well as weak trade unionism. Thus, the divide between rich and poor workers is on the rise (WDR, 1995).

The blind acceptance of flexible labour 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 and deceleration in employment. Anomalies in the labour market are seen to arise on account of increasing casualization, feminization, and informalization of work.

Other disturbing labour market trends also arise due to rigidities in policies leading to sluggish growth in employment (Ahluwalia, 2000) in the post-reform era. This is accompanied by structural changes in employment in the industrial sector in favour of unregistered enterprises that actually lead to flexibilization of work and an undermining of organized labour 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).

Not Conclusions

The Neo-Liberal market policies imposed by international agencies have proved to be disastrous on the labour and employment front. The Exit Policy has been misused by the private sector employers as an opportunity to change labour 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 '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 labour 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 labour.

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 labour 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' (See 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.

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