

**ISSUES RELATING TO EMPLOYMENT AND  
SOCIAL SECURITY OF LABOUR IN  
CONTEMPORARY INDIA**

*Dissertation submitted to the Jawaharlal Nehru University in partial  
fulfillment of the requirements for the award of the Degree of*

**MASTER OF PHILOSOPHY**

**MANDEEP KADIAN**



**CENTRE FOR ECONOMIC STUDIES AND PLANNING  
SCHOOL OF SOCIAL SCIENCES  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI-110067  
INDIA  
2004**



CENTRE FOR ECONOMIC STUDIES & PLANNING  
SCHOOL OF SOCIAL SCIENCES  
JAWAHARLAL NEHRU UNIVERSITY  
NEW DELHI-110067, INDIA


July 2004

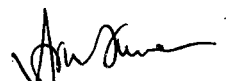
## Certificate

This is to certify that the dissertation entitled "**Issues Relating to Employment and Social Security of Labour in Contemporary India**" submitted by me in partial fulfillment of the requirements for the award of **Master of Philosophy** has not been previously submitted for any other degree of this or any other university.

  
(Mandeep Kadian)

We recommend that his dissertation be placed before the Examiners for evaluation

  
Dr. Praveen Jha  
(Supervisor)

  
Dr. Arun Kumar  
(Chairperson)

## CONTENTS

**Page No.**

<b>Acknowledgement</b>		<b>i-ii</b>
<b>Introduction</b>		<b>1-2</b>
<b>Chapter 1:</b>	<b>Brief Historical Review</b>	<b>3-29</b>
<b>Chapter 2:</b>	<b>Labour Employment Scenario in India: Recent Trends</b>	<b>30-67</b>
<b>Chapter 3:</b>	<b>Social Security and Safety Framework for Labour in India</b>	<b>68-102</b>
<b>Chapter 4:</b>	<b>Policy Issues</b>	<b>103-128</b>
<b>Conclusion</b>		<b>129-132</b>
<b>Bibliography</b>		<b>133-140</b>

## **Acknowledgement**

All those who have taught me, guided me, criticized me, and otherwise stimulated my research are too numerous to record here. I feel grateful and obliged to all those persons who were directly or indirectly helpful in accomplishment of my M.phil dissertation.

First of all I am grateful to the authors of various books and articles wherefrom I have taken facts, figures and opinions. Due acknowledgement have been made for them in this work.

I am indebted to all teachers and staff of the 'Center for Economic Studies and Planning', J.N.U; for providing me an opportunity to learn and improve upon myself. I am indebted to Prof.Vikas Rawal, for providing me material and guidance during my work.

I express my special thanks to the Exim Bank Library, Central Library – both J.N.U – Ratan Tata Library Delhi School of Economics, NIPFP Library staff; for their every possible help and cooperation.

I am grateful to Mr. Mukesh Pokhriyal for typing my dissertation well. Also thankful to my batch mate Partha Saha for his continuous support and guidance; to Subrat Das who spent a part of his valuable time in proof reading the manuscript.

I would not have accomplished this gigantic task without the warmth and care which I received in abundance from my parents. They are always helping and a source of inspiration for me.

The most important person who made this dissertation possible is none other than my supervision Prof. Praveen Jha. I am thankful to him for his scholarly guidance, masterly criticism, invaluable suggestions, moral and material support. I do not know how to acknowledge his guidance and support, which he had rendered to me for this work.

Lastly, I am alone responsible for the conclusion drawn, for the views expressed and for errors that the dissertation may contain.

July 21, 2004  
New Delhi

**Mandeep Kadian**

## Introduction

This work is primarily concerned with the developments in Indian labour market in the context of liberalisation. As is well known, the period of liberalization which started in early 1990s, brought significant changes in the overall macro economic policy regime and consequently in basic structure of Indian economy. This has had a significant impact on the labour market also.

In this context, some obvious questions are: what are the changes brought about in the process of economic liberalization to the labour market? What could be policy implications of these changes and how far these changes can be effected towards the interest of labour. These are among the central issues which I am trying to answer in the forthcoming chapters.

If one wishes to understand the labour market problems in developing countries, then one has to look at specific characteristics of the labour market of developing economy that distinguish it from the developed countries. This work attempts to address this task as well. Considering important peculiarities of labour markets in the developing countries, our main concern is with Indian labour market and particularly employment and policy issues relating to it during the liberalization period.

In particular, I wish to investigate two aspects in some detail relating to the labour market in India:

1. What happened to the labour arrangements during period of liberalization?
2. The nature and implementation of social security measures.

## **Methodology and Chapterisation**

First chapter is based on a review of the relevant literature on conceptual aspects of unemployment and employment. In this chapter after putting forward various facets of employment and unemployment, an attempt is made to link the recent labour market developments in a historical context. This chapter puts light on the issue that 'Labour Welfare vis-à-vis Competitive Policy' conflict is not only result of liberalization regime, but has a long history. In India, as in other regions of world, conflict was subdued before liberalisation, which accentuated after 1990's.

Second chapter mainly deals with the impact of liberalization regime on employment and poverty. Generally 'before and after' approaches are used for analyzing the impact of economic reforms with the support of relevant data. Here, I take a close look at these issues. Third chapter looks into the implications of result suggested in second chapter from the angle of 'Social Security Net'. The manpower imbalances, their impact on social safety of the labour are discussed in this chapter.

The final chapter looks into implications of these changes with respect to the existing labour rights. Here, the discussion revolves around the issue of labour welfare in the world of cut throat competition. Discussion in this chapter takes into account concerns relating to fundamental rights of labour, and the recent policy issues as suggested by National Commission of labour. Central concern of this chapter is to examine the status of fundamental principles and rights at work in India both in terms of their ability to promote further growth and development and ensuring minimum level of protection. This may be of some importance in addressing a number of critical issues that have arisen in our policy discourse due to liberalization tendencies. The study closes with a brief conclusion.

## CHAPTER 1

### BRIEF HISTORICAL REVIEW

#### Introduction

Economic development of a country is closely linked with the proper organization and employment of its manpower. Employment has always been a major problem in India. In recent years, it has assumed a special significance, with liberalization. The evils of unemployment are so great that they have become a subject of national concern. The far-reaching effects of rapid population increase on our country and the dramatic impact of current economic policies on labour force, are matters of grave concern. Employment, since independence, has remained a core area of economic planning. The five year plans in the past as far as the employment objectives are concerned, had their targets beyond the horizons of reality of achievements. This resulted in increased backlog of employment with passage of each plan. The plan documents contained the picture of man with his head in the clouds, attempting to keep his feet firm on ground and in the process; he is often found to be neither here nor there.

The problem of unemployment has come to the surface now in more pronounced manner, after 1990's. Several special measures to alleviate the unemployment problem are being taken and concrete thoughts are also being crystallized in the minds of policy and plan makers, to tackle them appropriately and to achieve better employment targets during the reform era. But, the principal aim of the pre-reform period that expansion of employment



opportunity must commensurate with the increased labour force, had been almost put aside, with complete emphasis on mechanization, with understanding the basic premises of our country problem.

In the rural areas, both unemployment and underemployment exist side by side. The distinction between them is by no means sharp. In the villages, unemployment ordinarily takes the busy agricultural season, shortage of labour are frequently reported, but over the greater part of year, a large proportion of agricultural labor and other, engaged in allied activities are without continuous employment. The consequent drifts of workers from villages to towns only serve to shift the focus of attention from rural to urban areas. Both urban and rural unemployment, constitute an indivisible problem.

In urban areas, employment is linked with fluctuation in the state of business, transport and industries. Any change in conditions is reflected in an increase or decrease in employment figures. The existing data are inadequate for building up a sufficiently detailed picture of state of employment for the country as a whole. It's because of large share of unorganized sector (93%), for which there is no authentic and systematic source of data. Even after the lack of proper method, for majority of sector; it's unanimously accepted and became a general belief that employment avenues and extent of employment has decreased significantly. The trends in employment, discussed in forthcoming chapters, would indicate that problem is one of increasing complexity. So an attempt is done in this work to discuss various aspects of decreasing employment in labour, in our country, after introduction of reforms particularly, with throwing light on how the human face of development can be ensured for labour welfare.

## Unemployment Vis-à-Vis Social Impact

Unemployment is one of the most serious problems which confronted the different countries of the world, although, the degree of intensity always varied from region to region. There are many repercussions which prolonged unemployment makes not only on the family, of the concerned, but also on the society and nation. When a family bread earner becomes victim of unemployment, the impairment of living standard of that concerned family is inevitable. The direct impact is on the food and clothing. Housing comes in the next stage of compromise. Not only this, the lack of physical necessities cast a shadow on the overall future development of such labour and dependents. At the aggregate, i.e. many such cases in the economy can lead to appreciable increase in the volume of crimes in society. So consequences of unemployment on the society may be thus summed up:

- 1) The worker's attitude to the job is perverted. Due to the policy initiated by privatization 'Hire and Fire', he goes in fear of losing it. He cannot afford to be either conspicuously inefficient or conspicuously efficient. "So long as there is scramble for jobs, it is ideal to deplore the inevitable growth of jealous restrictions of demarcations of organized or voluntary limitation of output, of resistance to technical advance."<sup>1</sup>
- 2) Unemployment becomes a big hurdle in attainment of economic and social objectives. "Measure to increase productivity, for instance, is of little significance when large number of workers are unemployed and therefore produce nothing. Similarly, efforts to ensure adequate wages and to protect the rights of organized workers are less likely to succeed

---

<sup>1</sup> Beveridge, W. H., "Full Employment in a Free Society".

in periods when, as a result of large pools of unemployed workers, there is intensive competition in the employment market. Unemployment thus represents a senseless waste of productive power.”<sup>2</sup>

- 3) Evils of unemployment, extends up to mental trauma also. “A long spell of unemployment ruins the man’s dignity and self respect. It creates a sense of frustration and eventually, of uselessness, it saps his powers of concentration and his capacity of normal enjoyment, creating tension in family and society. The Victim becomes prone to expedients for regaining status and a sense of purpose.”<sup>3</sup>

Criminality tends to increase in the period of unemployment. Evidence indicates that the rate of suicides also increases at such times.

An industrial system that fails to guarantee regularity of employment will produce degeneration of standard of life. Professor Lescohier has summarized effects of ‘Hire Fire’ in the following words: “unsteady employment attacks the workers efficiency in so many ways that probably no one can enumerate them all. It undermines his physique, deadens his mind, weakens his ambitions, destroys his capacity for continuous, sustained endeavour; induces a linking for idleness and self-indulgence, weakens nerves a will power, saps his courage, destroys a workman’s feeling that he is taking good care of his family, sends him to work worried and underfed.”<sup>4</sup>

---

<sup>2</sup> Alec, Cairn Cross, “Introduction to Economics”.

<sup>3</sup> Alec, Cairn Cross, “Introduction to Economics”.

<sup>4</sup> Lescohier, Don D., “The Labour Market”.

It is for these reasons that decreasing level of employment among the labour class has become a grave concern for us, and burning issue in all economic and social discussions.

Lord Beveridge maintains “Full employment cannot be won and held without a great extension of the responsibilities and power of the state exercised through the organs of the central government.”<sup>5</sup> So it can be said that prevention of unemployment is mainly state responsibility which cannot be left to the market mechanism.

That’s why, concept of employment and increasing employment opportunities, had caught the imagination of our planners, since independence. Also the constitution of Sovereign Democratic Republic India lays down the securing of adequate means of livelihood as one of the directive principles of state policy. The problem of unemployment throws a major challenge to Indian economy. Although many efforts at micro level were and are carried by Indian Government, but a well rounded programme that could tackle this issue systematically, was never made. With the adoption of liberalization policies and ‘state retreat’ from the employment sector, the situation on the employment front – particularly public sector – has been deteriorating since early 1990s. An attempt will be made in the course of this dissertation to analyze the pre and post liberalization employment trends, with an analysis of their causes, and to suggest some measures which can lead to the best possible solution for protecting labour welfare under the new developed circumstances.

---

<sup>5</sup> Beveridge, W. H., “Full Employment in a Free Society”.

## Concepts and Definitions of Unemployment

In a layman's language, it is very easy to define the concept of unemployment. But for those who have given a thought to the aspect and technicality of unemployment, it is very difficult job, to confine it in one proper definition. For instance, many people who would not call themselves "unemployed" are certainly 'underemployed', that is, they would be happy to take more work if they get it. At what point, underemployment lapses into unemployment? Again, is a man to be considered unemployed who is practically unemployable? If so, is a man who has worked steadily all his life, but grown too old to work further, to be counted unemployed? Again, is a man to be counted unemployed who is ill, but whose employment is waiting for him when he recovers?

These illustrations, which might readily be multiplied, will serve to show how difficult it is to define employment precisely, and how difficult is to compile the statistics of unemployment, which is can be misleading:

Unemployment is admittedly the most significant and perplexing in all labour problems. This concept has been defined in different ways by economists and others from time to time. According to one, "any person who fails to work can be thought of being unoccupied and, therefore, in a sense unemployed for duration of his occupancy."<sup>6</sup> In another definition on unemployment, "The individual may be wholly unoccupied for a period of long continued unemployment; he may be the victim of temporary business fluctuations where a reasonable expectation of reemployment at any time

---

<sup>6</sup> Watkins, Gordon S. and Dodd, Paul A., "Labour Problems".

exists; or he may suffer from seasonal unemployment in the pursuit of certain trade or as a casual labourer.”<sup>7</sup>

In the pre Keynesian literature, this problem of unemployment has received a lot of attention from economists. Since 1936, when Lord Keynes published his “General Theory”, unemployment is thought of as the outcome of depressions. Apart from Frictional and Seasonal type, it was broadly conceived to be associated with business cycles. Keynes, however, distinguished a new category what he called “involuntary unemployment”, which exists even under boom conditions. “Insufficiency of demand” was, according to Keynes, the root cause of unemployment.

According to Pigou, unemployment is, “unemployment among the wage earning classes.”<sup>8</sup> If a wage earner happens to possess an allotment on which he can work when discharged from his ordinary trade, or if he is able, on these occasions, to turn his hand on other occupation, inferior than the prior one, then we cannot characterize him as unemployed. In fact, the effect of unemployment in the case of such a man are very different from its effects on one who has no alternative wage yielding occupation.

Even, after passing through these concepts, it’s quite difficult to reach directly to a definition of unemployment. It clearly does not include all the idleness of wage earners, but only that part of it which is from their point of view and in their existing conditions at the time, involuntary. There is, therefore, excluded idleness of those who are definitely incapacitated from wage earning work by extreme old age, infirmity or temporary sickness. This also excludes the idleness of those who are idle, not from necessity but from

---

<sup>7</sup> Ibid.

<sup>8</sup> Pigou, A. C., “Unemployment”,

choice. The fact that people work for 8 to 12 hours a day instead of 24, does not constitute the remaining hours of the day as period of unemployment. Also excluded is the idleness of the great mass of vagrant class, whose ambition is, in the large part, just to avoid work. And finally, whether a man wishes to work or to be idle, and if he wishes to work, whether he wishes to work much or little, are not questions to which absolute answers, must depend on the rate of wage that is to be obtained as a reward of working.

There are many such definitions given by various economists. From these ad hoc definitions a general notion about unemployment can be withdrawn.

According to A. E. Waugh, “An unemployed person is one who is able and willing to work, but who is not working and not able to find work for which he is qualified under conditions that are reasonable as Judged by local standards.”<sup>9</sup>

An unemployed person may be defined “as a man or woman or juvenile of working age, who is technically and physically fit for a job, willing to work, but unable to find work.”<sup>10</sup>

Thus unemployment is not a very clear cut conception. It refers simply to the number of man hours that exists over period during which people are not employed. But nobody seriously proposes to define unemployment in such a way and to make a man unemployed during the whole of the time, as time of sleeping, that he is not employed. A man is only unemployed when he is both not employed and also desires to be employed. Moreover, the notion of

---

<sup>9</sup> Waugh, Albert E., “Principles of Economics”.

<sup>10</sup> Report by a Study Group of Members of the Royal Institute of International Affairs, Unemployment – An International Problem, 1935.

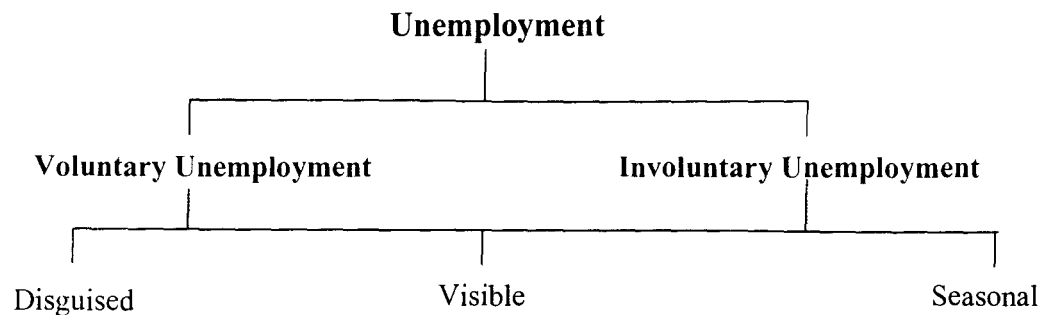
desiring to be employed must be interpreted in relation to established facts as to 1) hours of work per day 2) rates of wages 3) the state of man's health.<sup>11</sup>

To give a comprehensive definition, the term "unemployment" refers to all forms of occupational idleness, whether within or beyond the control of the unemployed workers.<sup>12</sup>

Thus interpreted "unemployment is the failure to make labour contract or to continue such contract when it has been negotiated; It involves the stoppage of work coupled with difficulty of finding employment elsewhere. The failure, to make a labour contract may result from unwillingness to work on the part of those who are able; physical or mental disability of those persons who would otherwise be willing to labour; and the impossibility of finding employment even when individuals are willing to work."<sup>13</sup>

### Unemployment Types

Various economists do not use one and the same term to connote a given situation. So, it is essential to define here certain important terms. Generally speaking, the term "unemployment" denotes a condition of Joblessness, but as this term has very wide meaning, it may lead to vagueness, and it is necessary to specify various forms of unemployment. The main classification is as: -



<sup>11</sup> Pigou, A. C., "The Theory of Unemployment".

<sup>12</sup> Watking, Gardon S., "Labour Problems", 1947, p. 174.

<sup>13</sup> Pigou, A. C., "The Theory of Unemployment".

<sup>13</sup> Ibid., p. 174.



(a) **Voluntary Unemployment:** It is the unemployment which results from the withdrawal of some persons from employment for various reasons such as:

1. Absence of need to earn, when one has already earned a lot, or when one has inherited a large amount of wealth or property, which is sufficient for whole life.
2. Social customs of certain groups to discourage or forbid engagement of certain members in productive work, e.g. “purdah” system in India.

In fact, voluntary unemployment under unemployment is misnomer as there may be “idle rich” and also “idle poor” who refuse to work of their own accord. However, for all practical purposes; voluntary unemployment has hardly any significance.

(b) **Involuntary Unemployment:** It is quite an important concept. Unemployment due to non-availability or insufficiency of work during a particular time period, when workers in question have ability and quest to do work. Following the general practice among modern economists, it would be appropriate to use the term “unemployment” only in the sense of involuntary unemployment. It can take many forms as disguised, visible, seasonal, etc.

(i) **Disguised Unemployment:** Term “Disguised Unemployment” was first used by Joan Robinson in her “Essay in the Theory of Employment” published in 1947. She defined unemployment “as a phenomenon which exists when owing to the absence of vacancies unemployed workers are

driven to inferior occupations characterized by low productivity.”<sup>14</sup> Thus, a decline in demand for the product of the general run of industries lead to a division of labour from occupations in which productivity is highly to other where it’s lower. Cause of this diversion, a decline in the effective demand, is same as the cause of unemployment in the ordinary sense and it is natural to describe the adoption of inferior occupation by dismissed worker as “disguised unemployment”.

The disguised employed are those persons who work on their own account and who are so numerous relative to the resources with which they work, that if a number of them were withdrawn from work in the other sector of the economy, the total output of the sector from which they were withdrawn would not be diminished even though no significant reorganization occurred in this sector, and no significant substitution of labour. Dr. V. K. R. V. Rao has said that the disguised unemployment occurs where there are “workers who are constantly employed in the sense that their time is occupied but whose contribution to output is nil in the sense that their ceasing to work will leave the total output unchanged.”

This situation is quite conceivable in agriculture. In agriculture, all workers may be occupied, and no one may consider himself idle. Yet a certain number of them can be retrenched without having any effect on the output. Ragnar Nurkse, linking the concept with an underlying symptom of an underdeveloped country suggests that disguised unemployment is a position in which even with unchanged techniques of agriculture, a large part of population engaged in agriculture could be

---

<sup>14</sup> Robinson, Joan, “Essays in the Theory of Employment”, 1947.

removed without reducing output. Such a number of released workers could measure the extent of the disguised unemployment. Further, although the existence of this kind of unemployment cannot be ruled out in the industrial economies, it is by and large, a characteristic feature of over populated agricultural economies. Such economists prefer to call it under employment. In Keynes words: “We have shown that when effective demand is deficient there is under employment of labour in the sense that there are men unemployed who could be willing to work at less than the existing real wage.”<sup>15</sup>

- (ii) **Seasonal Unemployment:** This kind of unemployment arises mainly from dependence of certain occupations or industries on climatic conditions or seasonal booms and depressions. First, seasonal fluctuation may not lead to the actual discharge of workmen at all. It might be by shortening the hours of works. Second the difference in the period of fluctuation for different trades makes it possible for men thrown out of their usual occupation in slack seasons to find a subsidiary occupation in some other industry which is then busy. Finally, seasonal fluctuation is to a large extent provided for in the expenditure of wages. “The natural tendency is for the fact of seasonal fluctuation to be recognized as a normal incident of the industry and to be allowed for in the standard both of expenditure and of wages.”<sup>16</sup> Ultimately, therefore, according to Beveridge, “seasonal fluctuation becomes a question not of employment but of wages.”<sup>17</sup>

---

<sup>15</sup> General Theory, p. 289.

<sup>16</sup> Beveridge, W. H., “Unemployment as a Problem of Industry”, 1931, p. 36.

<sup>17</sup> Ibid., p. 37.

Seasonal fluctuations are caused by changes in the climatic conditions, seasonal changes in consumption and demand. It may be due to the variation in volume of work with the annual cycle change in the intensity of business. Also, social habits may change due to the change in temperature and weather.

The most direct way of vanquishing seasonal unemployment is through the development of industries that complement each other in the seasonal activity so that workers seasonally unemployed in one industry can find seasonal employment in another.

- (iii) **Visible Unemployment:** It means for all practical purposes, the total absence of jobs for certain workers for some period. This concept either refer to the new entrants to the labour market who are yet searching for the job or it may refer to those labourers, who are thrown out of employment due to becoming product produced by them becoming obsolete. This type of unemployment mainly comes out in the developed economies. Whenever economists talk about the unemployment of developed economies, the general reference is for the visible unemployment.

In addition to these major unemployments, some other unemployment type is defined hereby:

- 1) **Structural Unemployment:** Due to disorganization of labour, due to change in set structural patterns. As such, shrinkage of international trade, change in economic policies, etc. In India, problem of unemployment to a large extent is due to structural malacies.

- 2) ***Cyclical Unemployment:*** Generic form of seasonal employment. It is caused due to business fluctuations in the economy, mainly depression. Under consumption or decreased demand are the main causes of this type unemployment.
- 3) ***Deflationary Unemployment:*** It is cyclical in nature, but not a permanent feature of economy. It comes, usually, after long intervals of time.
- 4) ***Frictional Unemployment:*** Arises mainly due to immobility of labour.
- 5) ***Shadow Unemployment:*** Married women and old people, are not too much concerned for employment, when job opportunities are few. But they may re-enter in the labour force in response to the increased demand. This is called 'shadow unemployment'. No quantitative information is available on this aspect of unemployment.

### **Full employment Approaches**

Just like vagueness in definition of unemployment, there is not exact and full proof definition of full employment. So, before exploring the various facets of full employment, it is better to throw a light by pointing out some of the things that full employment does not mean.

1. Initially, full employment does not mean that situation in which everybody will do work for the time, as his peer group is able to do. Full employment will still exist even if any number of people may refuse to work more than a certain amount of work at the current rates of pay. It is not part of the objective to compel people if they prefer leisure.

2. Full employment does not mean that everybody is working who wants to work at the current rates of pay. Even if he is reasonably efficient in his work and if he is available t a place where such work is being done.

These both views are demonstrations of Prof. A. P. Lerner.

Hence it's difficult to confine definition of full employment in a periphery. Several economists – from J. M. Keynes to present time – has defined term “full employment”. The following few are among them.

Keynes is considered to have given birth, to the concept of full employment. His major part of work was based on this concept. According to him, full employment is the absence of involuntary unemployment. Thus, he defined full employment as the state of affair where involuntary unemployment is absent, but frictional and voluntary unemployment is present. An alternative though equivalent criterion is the situation in which aggregate employment is inelastic in response to an increase in the effective demand for its output.<sup>18</sup>

Keynes observed that “we have full employment when output has risen to a level at which marginal return from a representative unit of factors of productions has fallen to the minimum figure at which a quantity of the factors sufficient to produce this output is available... when a further increase in the quantity of effective demand produces no further increase in output and entirely spends itself on an increase in the effective demand, we have reached condition which might be appropriately designated as one of true inflation.”<sup>19</sup>

---

<sup>18</sup> “General Theory”, p. 20.

<sup>19</sup> Ibid., p. 20.

It would appear from the above that full employment is a unique relation between effective demand on the one hand and real wages, output and employment on the other. The latter three become inelastic at full employment stage. Effective demand remains elastic in money terms only. In real terms it is identical with output. Absence of involuntary unemployment as a condition of full employment implies that employment and wages are both inelastic at that level. Hence two main criteria of full employment, therefore, are inelastic or the economically highest output and absence of involuntary unemployment.

Prof. Ohin agreed with the Keynesian proposition of influence of effective demand on the level of employment. But he points out that deficiency of aggregate demand is not the only factor for involuntary unemployment. The process of expansion from a depression will usually meet bottlenecks of different sorts long before full employment is reached. A great many problems of adaptation and balancing will have to met to create the status of full employment. This cannot be done simply by increasing the amount of investment and the aggregate purchases high enough. Ohin is quite right in pointing out that what is required in this connection is an amplification and not a modification of Keynesian theory to achieve full employment.

Beveridge gives a broader connotation to the concept of full employment than Keynes does. He defines full employment not only as a state of affairs where there are more vacant jobs than unemployed men, but also that the jobs are at fair wages, of such a kind and so located that the unemployed men can reasonably be expected to take them.<sup>20</sup> This means that the demand for labour and supply of labour are related qualitatively and quantitatively. What is

---

<sup>20</sup> Beveridge, W. H., "Full Employment in a Free Society", 1945, p. 18.

called frictional unemployment, therefore, figures much less in his conception of full employment than it does in Keynes.

Prof. Robinson also goes beyond Keynes in refusing to admit frictional unemployment as being consistent with the concept of full employment. Her definition of full employment coincides with Keynes when she says that, “the point of full employment is the point at which every impediment on the side of labour to a rise in money wages finally gives way.” But she goes further when she says that “conditions of full employment obtain when no one employer can increase his staff without reducing the staff of some other employer. She attacks the thesis that it is possible to distinguish between on part of unemployment that can be cured by increasing effective demand while the other part can be cured by removing frictions. She hold the view the full employment in a precise sense can never be attained as long as frictions exists rather than to use full employment in an imprecise sense in which it can be said to be attainable such unemployment of remaining being vaguely attributed to frictions.”

In bringing out the compatibility of frictional unemployment with full employment, Crowther wrote: “Full employment does not necessarily mean that every man and woman has a job. It means only that there are no more supplies of idle labour or capital of the sort that actually are being demanded.”<sup>21</sup>

Making the point that it is very difficult to make a clear distinction between unemployment which is due to the friction and unemployment which is due to the deficiency of effective demand, Joan Robinson wrote:

---

<sup>21</sup> Crowther, “Outline of Money”, 1945, p. 152.



“So long as the frictions are strong and demands are constantly changing, absolute full employment is likely to be obtainable, for at any particular, moment full employment for all labour would involve a demand for particular amount of particular type of labour in particular places, and, if precisely those types are available but not required. It seems preferable to say that full employment, in a precise sense, can never be attained as long as friction exists.”<sup>22</sup>

It's clear from these remarks that full employment ceases to be compatible with frictional unemployment, whether it can be distinguished or not, the composition and location of output becomes as important as its size. Full employment has to be then thought of for different sectors and sub-sectors of the economy. This is clearly outside the Keynesian theory which is formulated in terms of aggregates for the economy as a whole.

Joan Robinson has also drawn attention to the phenomenon of disguised unemployment resulting from the “adoption of inferior occupations by dismissed workers”, in a downswing of the trade cycle. In this case their productivity is less than what it would have been if the proper jobs for which they were best fitted were available to them. An extreme case of disguised unemployment is that where marginal productivity of labour is not merely less than in normal jobs but is for all practical purposes zero. This is described as follows by the “UN Report on measures for Economic Development of under-developed countries.”

“The disguisedly unemployed are those persons who work on their own account and who are so numerous, relative to the resources with which they work, that if a number of them were withdrawn from work in the

---

<sup>22</sup> Robinson, “Essay in Theory of Employment”, 1947, p. 42.

other sectors of the economy, the total output of the sectors from which they were withdrawn would not be diminished even though no significant substitution of capital. The term is not applied to wage labour, presumably employer will not employ a labourer for wages unless his labour increases the total product.”<sup>23</sup>

Disguised unemployment can be regarded as a category of voluntary unemployment, and, therefore comes in the concept of full employment defined by Keynes. In connection with the level of output, it was emphasized that the output at the full employment stage becomes inelastic not because of technical but because of economic reasons.<sup>24</sup>

Technical productivity of the available capital equipment may not be realized because it may not be economically profitable for worthwhile to exploit it fully. “Full Employment” would therefore, be consistent with the existence of unused productive potential of equipments which were not in demand or in other words which were not usable economically.<sup>25</sup>

Precisely opposite view to that of Mrs. Robinson is taken by Learner in his work “Economics of employment”. He draws a sharp distinction between the unemployment that exists because there are not enough jobs available in the economy as a whole and the unemployment that exists because the unemployed men and the skills and the locations do not match. These include those workers who at any time are on the way from one to another job. He characterized the former as “deflationary unemployment” and the unemployment due to workers

<sup>23</sup> UN Report, p. 7.

<sup>24</sup> Kaldor, N. “Stability and Full Employment”, Economic Journal, December 1938.

<sup>25</sup> Sovani, N. V., “Full Employment in Underdeveloped Countries”, Indian Economic Journal, December 1953, p. 82.

Diss  
368.400954  
K115 Is



TH-12777



having the wrong skills or being located in wrong places to get jobs is called “frictional unemployment”. The frictional unemployment is type which exists when there is full employment. Lerner proceeds to define full employment in what may be called Keynesian forms of pristine parity. Full employment, when it is no longer “unduly difficult” to find employment<sup>26</sup> is that level of employment at which inflation begins. When the employment is full, not of course, everybody in existence but everybody who at the ruling rates of wages to be employed, is in fact employed.”<sup>27</sup> But it is generally agreed that in a dynamic society it’s not possible that entire labour force shall be continuously employed. As Jones say, “It does not mean that all persons desiring and fit for gainful occupation are actually employed for in a progressive society there must necessarily be at any moment a number of persons temporarily stopped through accident or failure of demand or in course of changing employers etc.” it is generally agreed by everyone that in a dynamic society, which needs elbow room in the labour market, it is not possible that the entire labour force shall be continuously employed. According to Sir William Beveridge, the very definition of full employment refers to that situation in which there are as many jobs looking for them as there are men looking for jobs. That is, “The total number of work vacancies is equal to total number of worker seeking jobs.” Further, full employment, according to Lerner, refers to that level of employment at which any further increase in spending would result in an inflationary spiral of wages and prices.<sup>28</sup>

To sum up, full employment postulates two things. First, there should always be more vacant jobs than unemployed men and not slightly fewer Jobs,

---

<sup>26</sup> Lerner, A. P. “Economics of Employment”, 1951, p. 82.

<sup>27</sup> Ibid., p. 23

<sup>28</sup> Lerner, A. P., “Economics of Employment”, 1951, p. 82.

though Beveridge calls this situation as a “mockery”.<sup>29</sup> Second, the jobs should be at fair wages of a kind and so located that the unemployed men can reasonably accept them.

Having a detailed analysis on the employment, unemployment, I am moving to the Historical development in the labour market, with a discussion on how the labour was perceived in the two realms of economics i.e. capitalism and socialism. This section mainly pertains to the whole history of labour relations in context of the aforesaid realms.

### **Struggle of Labour Classes:-**

All over world labour and Trade Unions have resisted economic reforms whether they are first generation or second generation. Trade unions in all parts of world have used all methods in their periphery against the introduction of these reforms or to subdue the pace of introduction of these reforms. Trade unions are united to fight against the menace of economic reforms. It's because according to them – is targeting negatively their security of employment conditions and terms of employment, conditions and terms of employment and reducing their status to 'laissez faire' time situation, which they feel have reversed the achievement of long drawn struggle of trade unions of more than 200 years after industrial revolution.

The notion of 'Laissez Faire' economy was introduced by 'Adam Smith'. It propounds that state should play a neutral role and leave the entire economic phenomenon to the market forces. Any intervention of trade union – both of employers and workers – and of government would prove counter productive, resulting disturbing the process of achieving the full employment

---

<sup>29</sup> Beveridge, W. H., “Full employment in a Free Society”, 1953, p. 20.

equilibrium. This system was characterized by exploitation of workers. Hence, alienation and dissatisfaction of workers on the terms and conditions of employment. No control on the working hours, the amount of money paid as wages, also other terms and conditions of employment made this system quite repercussive for the labour class workers were asked to work for the longer hours. Children and women exploitation was quite prevalent.

In the absence of protective legislature, judiciary; things were almost influenced with the doctrine of 'laissez faire'. Since supply of labour was exceeding than the demand for labour, the unfavourable terms and conditions of employment for workers continued.

Capitalist block developed with the 'laissez faire' and hence resulted in situation of labour exploitation. To counter this situation of labour exploitation, benevolent started raising the consciousness of society against this in-human tendency. Soviet Revolution of 1917 following Marxian line of sovereignty of the proletariat and setting up of a class society caught the attention of working class, giving them a ray of hope against the official exploitation of the 'laissez faire' realm. Socialistic block worked with the sound belief that capitalist system can never work for the welfare of labour class. So they have to work with a objective to overthrow the existing bourgeoisie exploitation and replace it with sovereignty of labour class in every sphere of mode of production. Any attempt on the part of trade unions for economism/ business approach would be counter productive as its benefits will be short lived and would deplete very fast.

Capitalist system, with the fear of labour unrest, introduced some flexibility. Following the depression of 1930's, the system modified its theory and practice. The capitalist system itself raises questions on the full authenticity

of concept of 'laissez faire'. Lack of effective demand, made them to raise the purchasing power of the working class. This was done to increase the demand in the economy, which was cause of depression. Keynesian ideas called for expansion of government expenditure to boost the economy out of depression.

Job enrichment programmes emphasizing on the higher order need of self esteem and self actualization have also started, which bore bearing fruits since financial incentives were not proving adequate enough to motivate. Employers also started accepting changes. They started to accept the concept of labour welfare and trade unions to some extent. Also started interacting with them for a better management in the production process. Trade unions became a medium of readdressal of feelings, aspirations and grievances of labour, to the employers. Also, employers started to believe that trade unions would help them, in better production. This all set a platform for the reversal from the policy of 'laissez faire '. But, one thing of noting here is that exploitation of labour not ceased completely. It still existed depending; varying country to country also industry to industry. So there was dilution in laissez faire policy, but it was not abandoned at all.

Two scenarios emerged in this context first possibility was that laissez faire model was modified. Another aspect was it should be replaced by soviet model, which was also followed by several countries. Soviet developing countries adopted the model of planned development. This consists of pre-determined targets, which were to be achieved during fixed time duration. Based on socialistic approach and discarding 'laissez faire' realm, the state started playing a significant role for economic development. This not only ensured welfare of labour class, but clandestinely helped them by checking imbalances, smoothing the growth process with increased participation of

public sector. Progressing further in this direction, various types of legislations were passed with aim of providing more facilities, in form of job satisfaction, security etc. As such in Yugoslavia, workers were treated as equal partners in the organization .

At the same time, cold war was going in between two supreme powers of that time –USSR and USA – to establish their hegemony all over the world. This was also related to the ‘socialistic labour approach (by USSR)’ and ‘capitalistic labour approach (by USA)’. Communist countries continued their efforts to spread communist ideology, under the aegis of ‘USSR’ of that time. To achieve this objective, Marxian ideology was followed in a systematic way. Competing with ‘socialistic approach’ was capitalist model; which wanted to sustain itself through new technology built up. Other incentives in the capitalistic approach were better wages and relaxed terms and conditions of employment. To counter the Marxian ideology, capitalist system built up several alternative models. Some of them were Clark Curr’s pluralist model, Webb’s industrial democracy model, Allen Flander’s model, Frank Tammenbum’s model of taking all managerial functions by the trade unions. The organizations were to be treated as miniature democratic state with all the components such as workers, management, shareholders, government having equal role to play. Now employers were not prominent. Latter, separation of ownership from control further facilitated this process since the management shifted its objective from earning profit to maximizing market share, managerial utility or growth.

Due to this capitalistic model of development of world, a new trend of multinational came in front. These ‘multinationals’ slowly became quite prominent in the growth of economy and gave a new direction to the relation

concept of labour. The 'US' for e.g., had 269 companies out of 369 multinationals. These 269 MNC's consist Breeton Wood institutions IMF, World Bank – and WTO became the means for increasing this inequity by nefarious means. In 1999, the combined wealth of top 200 billionaires was about 1135 billion dollars, while 582 million peoples combined wealth stood at 146 billion dollars. From 1960 to 1991, the share of richest twenty per cent population of world has increased from seventy to eighty percent, while the share of poorest 20% of population has declined from 2.3 to 1.4 per cent.

The exact picture of the labour in the scenario of liberalization is taken in 'World Labour Report 2000'. It says,

“Liberalization either alone or in continuation to technological change often exposes the society to greater economic inequality. Its benefits are not reaching enough people.”

This all mere an indication of deteriorating situation of employment and increasing unemployment one third of world's labour force, early one billion, are continued to be remain unemployed. Similarly, underemployment rate is also high 25% to 30% of world's workers. In the context of Indian situation, 135 billion people have no access to basic health facility, 70% lacks basic sanitation facilities. On the Human Development Index, India's position is also not satisfactory.

Impact of globalization, privatization, on Indian economy is shift from mixed to capitalistic economy. Net per capita availability of cereals per day has declined from 468.5 gm (1991) to 390.6 gm in 2001. Same trends in pulses from 34.3 to 26.4 gms. The growth of value addition in agriculture has gone down from 4.5 % in 1993-97 to mere 1.2 % in 1997-2001.



In the post reform period, the overall growth rate of employment declined from 1.44% in 1991 to 0.46 % in 1998 while average rate of growth of employment was 2.39 per cent per annum from 1983-91. The reforms have significant repercussion on employment. During 1998-2002, the employment growth is minimal.

The opportunities of employment in the public sector, is now almost negligible. More than one lakh employees lost their jobs in banks till August 2001, while more than one lakh jobs retrenched in central public sector in past two years.

As per central statistical organization data, manpower in factory sector has cut by more than 7 lakhs. Even downsizing in the big business houses has been taken, to replace man by machine, so as to be in Global competition. TISCO and Tata Engineering have dispensed with 20,000 workers. Nearly 3.5 lakh workers in textile lost their jobs in last two years, while 400 out of 1850 registered textiles mills were closed down.

Government is also determined to privatize several public sector undertakings. Geeta Krishna Committee on expenditure reforms has suggested downsizing of government departments by 10% in 5 years. Similarly, Rakesh Mohan Committee on Railways, recommended to cut the workforce of Railway by 7 lakh workers. Although, government have till today no mind to privatize Railways. Not only this, several public sector sale proved to be distress. 'BALCO' was sold to Hindustan Lever for 150 crores while the value of assets was estimated at 500 crores. Hence, Asset Value Method, which would have fetched better prices was discarded completely. VSNL, ITDC Hotels, CMC, Hindustan Zinc, etc. are a few – out of many – more.

Attack on Trade Unions rights and Job Security of workers under liberalization, has come under severe threat. Government policy and attitudinal framework is becoming such as to curb Trade Unions rights.

Supreme Courts recent Judgment – in Tamil Nadu employees strike – to put a ban on the strike by public sector employees, can be enumerated. Now recent developments see trade unions as institutions which obstruct growth and are considered responsible for the absence of work culture in Indian scenario. Attempts are to have casualisation and contractualisation of labour. Protection by labour legislations to the working class has been slowly under dilution. The tings are going in a direction, where every thing is going to at the helm of market forces.

Contract Labour (Abolition and Regulation) Act, 1970; is being amended. This will facilitate to give even perennial Jobs on contract and further outsourcing of activities on contract basis. This all result in exploitation of labour, by paying the contractual labour even les than the minimum pay. In real, there can be found innumerable workers, working at wage less than minimum wage. The government has amended the Industrial Dispute Act 1947 in February 2002. In which they had allowed units with 1000 or less workers on their rolls to lay off, retrench or close down without prior permission. This amendment would mean insecurity of job to millions of workers in India, as 90% of industrial establishment employ less than 1000 workers in the country. Factory Act, 1948 is being amended in several states, which will facilitate to have from worker more than 8 hours of Job. Also protection given to women and children, with regard to working hours and work at night are also diluted as has been done in Punjab. Keeping a view of all these developments, a study has been done in forthcoming chapter, showing development of labour market, vis-à-vis current economic trends.

## CHAPTER 2

# LABOUR EMPLOYMENT SCENARIO IN INDIA: RECENT TRENDS

### Introduction

The era of reforms, which began in early 1990s, consisted of measures of attaining macro economic stabilization and structural reforms to push the Indian economy to a higher growth path. This involved liberalization and globalization of the economy to correct the backlash of excessive control and inbuilt inefficiency by a market friendly policy framework where the role of government is more of a strategic intervention. This meant considerable departure from one of the most regulated economies, with a model of accumulation based on the domestic market and import substitution, to one oriented towards the international market. The impact of such a transition in the short and medium term, it is argued, will be more pronounced in the labour market which will have a direct bearing on poverty and employment.

However, the nature of actual impact of reforms on employment conditions and labour market is a contested terrain where opinions and predictions range from highly optimistic to the disheartening plight. As this chapter is primarily concerned with the impact of liberalization on workers, an elaboration of both predictions seems appropriate.

There has been a debate whether the reform measures have adverse effect on poverty and employment. According to some researchers, reforms would benefit the poor in medium and long run, although they may have

adverse effect in the short run (Bhagwati and Srinivasan 1993; Tendulkar 1998, Joshi and Little 1997). Some other argue that reform package has internal contradictions and it might have an adverse effect on the poor in the both short and long runs (Nayyar 1993, Ghosh 1995, Bhaudri 1996). The pro reformers argue that reforms would increase efficiencies and lead to the higher growth and in turn reduce poverty. It is also argued that one has to look at the counterfactual situation while analyzing the impact of reforms. According to them, the strategy of 1980s (public expenditure led growth) is not sustainable and there is no alternative to reforms. They also argue that intensification of reforms (second generation) is needed to have a significant impact on growth and on the poor. On the other hand anti reformers argue that economic reforms would adversely affect the poor and one can have an alternative strategy to economic policies which are being followed in the country.

Considering this, an important aspect of positive effect of economic growth must be its ability to improve the standard of living of the population. In line with this, one of the basic objective of economic policy in India since independence has been to create employment opportunities on a large scale in the Economy. The deregulation process initiated in 1984-85, and the structural adjustment programmes implemented in July 1991 aimed at increasing the long run growth rate of GDP through deregulation in both commodity and factor markets. By removing the rigidities in the factor market, that is, removing subsidies in the capital market and discouraging unionization in the labour market, employment levels in the Economy – particularly industry – were expected to grow fast.

Keeping in view, the objective of present chapter is to put together evidences on employment and poverty in pre-reform and post reform periods.

Generally 'before and after' approaches are used for analyzing the impact of economic reforms. The limitations are well known. One has to keep in mind that the observed employment / unemployment and poverty situation is caused by reform related policies as well as structural factors. They are also influenced by exogenous factors like the weather and other external factors.

### **Approach Adopted in Labour Force Surveys**

National sample survey organization (NSSO) presents different estimates of employment and unemployment. This all is provided for the entire economy on the basis of nation wide inquiries undertaken in the form of National sample surveys. Till now, NSSO has conducted six such surveys, beginning with the one undertaken in 1972-1973. The recent one – 55<sup>th</sup> survey pertains to period July 1999 to June 2000. Since it is based on a large sample, the results can be compared with the earlier large sample round, namely, the 50<sup>th</sup> round, which pertained to July 1993 to June 1994 period.

Namely, three methods or approaches or categories are used in NSSO presently, which shows different estimates of employment – unemployment. There are: -

- (i) **Usual Status (US):** For usual status, the reference period is 365 days.
- (ii) **Current Weekly Status (CWS):** The reference period is 7 days.
- (iii) **Current Daily Status (CDS):** Period is each of 7 days.

Here, in all three, reference period is counted from the preceding date of survey in each of these cases.

The activity status of a person is his activity situation such as working (employed), or not working but seeking work (unemployed) or not working and

also not seeking work. The activity status in which a person pass a major part of 365 days preceding the date of survey is considered his Principal Usual Status (PUS). The activity status in which a person spends a minor part of 365 days preceding the date of survey is considered his Subsidiary Usual Status (SUS) (NSSO pp. 5-9). Combination of 'PUS' and 'SUS' in aggregate is called 'usual principal and subsidiary status (UPSS).

To elaborate, the person is considered to be employed (or unemployed) on the 'PUS' basis if he was working (or was not working but was seeking work) for a major part of the reference year preceding the date of survey. The person is considered to be employed (or unemployed) on the 'SUS' basis if he was working (or was not working but was seeking work) for a minor part of the reference year.

The person is considered to be employed (or unemployed) on the 'CWS' basis if he was working even for one hour (or was not working even for one hour but was seeking work) during the reference week. The employment (or unemployment) on the CDS basis refers to the total person days of employment (unemployment) of all persons in the labour force during the reference week (NSSO, pp. 5-9).

It may be noted that 'US' approach gives an idea about long term employment (or chronic and open employment) during the reference year. The 'CWS' approach gives an idea about temporary employment (or chronic plus temporary unemployment) during the reference week. The 'CDS' approach gives a composite or comprehensive measure of unemployment i.e., it is a measure of chronic and temporary unemployment as well as under employment. The 'CDS' approach takes due account of unutilized days or even utilized half days of person who are classified as employed as per the 'US and

CWS' approaches. The unemployment rate would be found to be lowest on the 'PUS' basis and highest on the 'CDS' basis. These three approaches covers whole picture of employment (or unemployment) situation in the country but all of them tend to underestimate the magnitude of unemployment in various degrees.

Now, labour force has two type of person. One who are working i.e. employed, and those who are not working but available for work i.e. unemployed. The Labour Force Participation Rate (LFPR) refers to LF as a percentage of population. The Work Force (WF) consists of persons per thousand persons (population) or person days is called the Work Force Participation Rate (WFPR) or the Workers Population Ratio (WPR) or the Employment Rate (ER). The unemployment rate (UR) is defined as the number of persons – unemployed per thousand persons in labour force. The proportion of unemployed to population (PUP) is the number of persons unemployed per thousand persons in the population as a whole (NSSO, pp.11-13; and p.27)

The difference between CDS unemployment (CDSU) and 'UPSS unemployment (UPSSU) would give us a measure of under employment or semi open unemployment (SOU). The problem of lack of adequate returns from Jobs is sought to be analyzed by measuring the incidence of poverty. Non employment (NE) is given by the excess of poor people over and above those who are openly or semi openly unemployed i.e. poverty minus CDSU. Conceptually, this would include those poor also, who are outside the work force. It would, however, be fair to assume that this magnitude would be negligible as the poor can ill afford to remain outside the workforce voluntarily. Also, most of the previous studies on this and related topics have used only the various rates reported by 'NSSO'

## **Source of Data**

There is impediment in the research on employment and unemployment, due to lack of homogeneity in data from various sources. Long terms time series and up-to-date data on trends and the structure of unemployment at the national and sectoral level are nearly impossible to obtain. The five year plan documents contain only fragmented information on employment / unemployment. Decennial population censuses generate data on working population but not on employment and unemployment. Official sources such as Economic Survey published by finance ministry, monthly and annual statistical abstracts by central statistical organization (CSO) give limited / time-lagged data. International organizations like the international labour organisation (ILO) are also not of much help in this context. The quinquennial national sample survey undertaken by national sample survey organisation (NSSO) are useful in this context, but they give unemployment rates by using different measures and, therefore, the extent of unemployment as per the NSSO surveys depends on the measure used. Moreover, all their measures underestimate the magnitude of unemployment in various degrees. Our description of the employment - unemployment scenario in India is thus subject to these data limitations.

## **Structural Shift in the Workforce in 1990's**

It is not just growth but the composition of growth that matters in tackling the 'employment problem' and poverty. In the Indian context, the composition of value added has undergone a change away from agriculture more towards tertiary activities than industry, over the period 1960 to 1999/00 (Table 1). A large share of the tertiary sector, as the historical experience of the present day developed countries shows, is commensurate only with a very high



level of per capita income. In fact, value added from the tertiary sector cannot be treated as similar to that from the commodity producing sector. Rapid growth of the tertiary sector or a predominantly large share of the tertiary sector in low income countries generates a heavy burden on the commodity producing sector, resulting in an adverse balance of payment situation and/or inflation which tends to wipe out the positive effects of growth, if any, on the levels of living (Bhattacharya and Mitra, 1990).

Secondly, compared to the experience of the present day developed countries a major deviation noted in the Indian context is the less than proportionate shift in the workforce structure vis-à-vis the shift in the composition of value added away from agriculture towards the industry and tertiary sectors. While the share of agriculture in total value added has declined over the years (Table 1). Its share in total employment still persists at a high level (Table 2) on the other hand, the employment share of the industry sector continues to dwindle at an unreasonably low level; both household and non-household manufacturing accounted for only 10 per cent of the total workforce in 1993/94 (Table 2).

All this means increasing productivity differentials across sectors and insignificant benefits accruing to individuals through employment generation in the high productivity organized industry.

**Table 1: Gross Domestic Product a Factor Cost by Industry of Origin (%)**

<i>Industry</i>	<i>1961-61</i>	<i>1970-71</i>	<i>1981-81</i>	<i>1990-91</i>	<i>1992-92</i>	<i>1993-94</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-00</i>
Agriculture etc. and mining etc	52.1	45.8	39.6	32.9	32.2	33.5	29.2	29.2	27.4
Manufacturing, construction, electricity, etc	18.7	22.4	24.4	28.0	27.1	23.7	25.3	24.7	24.4
Transport, communication and trade	12.6	14.3	16.7	17.8	18.2	19.3	21.1	21.3	22.3
Banking etc., real estate and business services	8.2	8.0	8.8	10.2	11.1	11.5	12.2	12.1	12.1
Public administration, defence and other services	8.2	9.6	10.5	11.1	11.4	12.0	12.3	12.7	12.6

*Notes:* 1 Percentages for the period 1960-61 to 1992-93 are based on figures 1980-80 prices, and thereafter at 1993-94 prices

2 Figures for 1997-98 and 1998-99 are based on provisional and quick estimates, respectively.

Source: Economic Survey, 1999-2000, Government of India

In urban India, the employment structure of both males and females has been dominated by tertiary activities. The share of manufacturing in total male employment rather declined between 1983 and 1997 by most three percentage points (Table 3). A similar pattern is evident among urban females also: the share of manufacturing fell from 29.6 per cent in 1977/78 to 25.1 per cent in 1997. The declining share of manufacturing in total employment of females has been compensated by a rising share of services (table 3 (b)).

**Table 2: Workforce Structure in India (%)**

<i>Activities</i>	<i>1972-73</i>	<i>1977-78</i>	<i>1983</i>	<i>1987-88</i>	<i>1993-94</i>	<i>1997</i>	<i>1999-00</i>
Agriculture	73.9	71	68.6	65	64	65.1	61.7
Mining & quarrying	0.4	0.4	0.6	0.7	0.4	0.6	0.6
Manufacturing	8.8	10.2	10.7	11.1	10.5	10.1	10.6
Electricity etc.	0.2	0.3	0.3	0.3	0.4	0.4	0.3
Construction	1.9	1.7	2.2	3.8	3.2	3.5	4.3
Trade and commerce	5.1	6.1	6.2	7.2	7.4	7.7	9.8
Transport etc.	1.8	2.1	2.5	2.6	2.8	2.8	3.5
Services	7.9	8.1	8.9	9.3	10.3	9.8	9.2
All	100	100	100	100	100	100	100

*Note:* Both usual primary and subsidiary status workers have been included.

*Source:* Quinquennium survey carried out by National Sample Survey Organisation. Government of India. Key result on Employment and Unemployment, NSS 50<sup>th</sup> Round (July 1993, June 1994). ``Household Consumer Expenditure and employment Situation in India. 1997``, NSS 53<sup>rd</sup> Round, January-December, 1997; NSS' 55<sup>TH</sup> Round Report No. 458

Distribution of workers by category of employment shows that among both urban males and females the percentage of casual employment increased over time. Deregulation seems to have ushered in casualisation of workforce (Table 4). On the other hand, regular wage/ salaried employment among females rose significantly from 24.9 percent in 1977/78 to 31.3 per cent in 1997. And this has been matched by a declining share of self-employment among them. A shift in women's employment from home-based activities to more commercial or market based activities is indicative of such a pattern of

change. Rising literacy and improvement in levels of education acquired would possibly explain the increasing absorption of women in market-based service activities.

The female-male worker ratio (i.e., the number of female workers per thousand male workers) computed for different activities are reported in Table 5. Despite the fact that the female male population ratio dropped between 1981 and 1991 census year (Mitra, 1993), the number of female workers per thousand male

**Table 3(a): Employment Pattern in Urban India (%): Males**

<i>Activities</i>	<i>1972-73</i>	<i>1977-78</i>	<i>1983</i>	<i>1987-88</i>	<i>1993-94</i>	<i>1997</i>
Agriculture	10.7	10.6	10.3	9.1	9.0	7.6
Mining & quarrying	1.0	0.9	1.3	1.3	1.3	1.2
Manufacturing	26.8	27.5	27	25.9	23.6	23.6
Electricity etc.	0.9	1.1	1.1	1.2	1.2	1.5
Construction	4.4	4.2	5.2	5.9	7.0	7.0
Trade and commerce	20.1	21.6	20.2	21.7	22	20.6
Transport etc.	9.1	9.8	9.9	9.6	9.8	9.3
Services	27.0	24.3	25.0	25.3	26.1	28.2
All	100	100	100	100	100	100

**Table 3(b) Employment Pattern in Urban India (%): Males**

<i>Activities</i>	<i>1972-73</i>	<i>1977-78</i>	<i>1983</i>	<i>1987-88</i>	<i>1993-94</i>	<i>1997</i>
Agriculture	32.9	31.9	32	30.5	24.8	66.5
Mining & quarrying	1.4	0.5	0.8	0.7	0.6	0.3
Manufacturing	24.6	29.6	27.1	26.9	24.3	25.1
Electricity etc.	0.1	0.1		0.2	0.3	0.5
Construction	2.7	2.2	3.3	3.5	4.1	6.9
Trade and commerce	9.6	8.7	9	9.9	10.1	9.1
Transport etc.	1.4	1	1.6	0.7	1.3	1.5
Services	27.4	26	26.2	27.6	34.5	40.1
All	100	100	100	100	100	100

*Note:* See Table 2 Result for 1997 are based on thin sample

*Source:* Table 2

Workers (for all activities combined) rose between 1983 and 1987/88 or between 1983 and 1993/94 in urban India. Rising work participation rate among women is a major component which caused an improvement in female-male worker ratio (Mitra, 1993). An interesting point emerging from the figures in Table 5 suggest that between 1987/88 and 1993/94 the number of female workers per 1000 male.

**Table 4: Classification of Urban Workers (Usual Principal-cum Subsidiary) by Category of Employment (%)**

Year	Male			Female		
	Self-emp.	Regular	Casual	Self-emp.	Regular	Casual
	wage		wage	wage		wage
	Salaried			Salaried		
1997	40.0	41.5	18.5	39.7	31.3	29.0
1993-94	41.7	42.1	16.2	45.4	28.6	26.0
1987-88	41.7	43.7	14.6	47.1	27.5	25.4
1983	40.9	43.7	15.4	45.8	25.8	28.6
1977-78	40.4	46.4	13.2	49.5	24.9	25.6

Note: See Table 3

Source : Table 3

**Table 5: Female-Male Ratio of Usual Principal-cum-Subsidiary Status Workers in Urban India**

Activities	1972-73	1977-78	1983	1987-88	1993-94
Agriculture	708	806	783	894	734
Mining & quarrying	319	145	155	144	123
Manufacturing	212	288	253	278	274
Electricity etc.	25	24	-	44	64
Construction	143	143	160	158	156
Trade and commerce	110	108	112	122	114
Transport etc.	35	27	41	19	33
Services	234	286	264	291	329
All	231	268	252	267	266

Note: Figure give the number of female worker per 1000 male workers.

Source: Based on Pravin Vasaria (1997), "Youth Unemployment in India: Its Level, Nature and Policy Implication", Institute of Economic Growth Delhi, mimeo., Alakh, N. Sharma (1997), "Trends in the Structure and Pattern of Employment and Unemployment in India", Institute of Economic Growth, Working Paper Series, No. E/188/97 and NSSO Surveys.

Workers remained more or less unchanged in spite of the deceleration which the structure adjustment programmes of 1991 supposedly resulted in. In other words, reforms seem to have brought in feminisation, as female-male wage differential are substantial even in the urban labour market, and secondly, female labour being more amicable, employers' preference seems to have shifted in their favour. Activity-wise, both in manufacturing and services the female-male employment ratio improved between 1993/94. In manufacturing, however, the ratio dropped marginally between 1987/88 and 1993/94.

In 1997, the female ratio of workers (all activities combined) fell drastically to 230 in urban India. But this was primarily because of the drop in the number of female workers per thousand male workers in urban agriculture. A significant decline in the relative size of agriculture in total female employment during 1993/94 to 1997 provides support to this point (see Table 4.3(b)). But within non-agricultural activities, manufacturing also registered a fall in the female-male ratio of workers from 274 in 1993/94 to 252 in 1997. However, in services the ratio did not show any tendency of decline during the same period. It would not, therefore, be appropriate to suggest that the feminization trend in urban non-agricultural activities which continued during the eighties was arrested in the mid-nineties.

On the whole, in this section we observe patterns of change favouring tertiarisation. Casualisation and feminization of the urban workforce following the deregulation and economic reforms in the eighties and early nineties respectively.

### **Employment Generation in Organised Sector**

With the adoption of NEP, the distinction between organized and unorganized sector has widened day by day. The broad distinction in these two

sectors mainly hinges on the basis of job security and benefits. There is always preference for organised sector employment, not merely because of high income to the wage earners than unorganized or informal sector, but also high degree of job security. But organised sector employment is shrinking and job potential is also decreasing with highly skewed distribution.

### 1. Evidence Form DGE & T

Many industrial, developing and transition economies have been facing an issue of downsizing of organised sector employment in recent year. The reason underlying the downsizing vary considerably across countries. It is either due to a move towards a more market oriented economy, or an attempt to reduce a bloted bureaucracy, or it has been necessitated by a fiscal crisis requiring a severe cut back in government spending (Haltiwanager and Singh, 1999. in the Indian context also, a huge fiscal deficit carried over the year necessitated a considerable decline in public spending giving a way to privatization.

**Table 1: Employment Growth in Organised Sector**

<i>Growth rates (% p.a.)</i>		
<i>Period</i>	<i>Public</i>	<i>Organised Private</i>
1970-70 to 1980-81	3.44	0.89
1980-81 to 1990-91	1.88	0.22
1990-91 to 1996-97	0.38	1.99
1970-71 to 1996-97	2.12	0.8
1996-97 to 1998	-0.62	0.96
1998-99	-0.02	-0.57
1999-00	-0.52	-0.59

*Note:* The year refers to April-March

*Source:* Based on data provided by Directorate General of Employment and Training (DGE&T) Ministry of Labour, Government of India.



Comparing well with this change in policy environment employment growth in the public sector has decelerated over the years (Table 1). During the seventies the public sector recorded a growth rate of 3.4% per annum, which dropped to 1.88% per annum in the eighties and 0.38% during 1990-91 through 1996-97. Further, the growth rate becomes negative between March 1997 and December 1998, which was namely -0.62 percent (Table 1). In the organised private sector, on the other hand, employment growth rate was sluggish both during the seventies and the eighties. Although it picked up to 1.99 percent per annum in period 1990-91 to 1996-97, the share of organised sector remained at the moderate level around 30% in 1980-81, 1991 and 1998, which implies that overall impact on total organised sector employment could not have been significant.

## **2. Evidence Form Reserve Bank of India (RBI)**

The level of employment in the public sector, the private sector (i.e. establishment of the non-agricultural private sector with 10 or more person employed, and working proprietors), and both the sectors taken together (i.e. the total employment) in India remained stagnant during the 1990s. Further, while the total employment increased By 4.23 million persons during the period, 1971-72 to 1980-81, it increased by 3.47 million persons during period, 1980-81 to 1989-90, and only by 2.04 million persons during the period, 1989-90 to 1998-99.

The major part of the increase (90 to 93 percent) in the total employment had taken placed on account of the public sector's contribution till 1991. During the 1990s, however, it is the private sector which contributed a major part of the increase (62 per cent) in the total employment.

**Table 1: Annual Average Rate of Increase in Employment in India in different Quinquenniums (Percentages)**

<b>Period</b>	<b>Public sector</b>	<b>Private sector</b>	<b>Total</b>
1970-71 to 1975-76	4.20	0.20	2.75
1976-77 to 1980-81	2.62	1.74	2.33
1984-82 to 1985-86	2.71	-0.05	1.83
1986-87 to 1990-91	1.52	0.83	1.31
1991-92 to 1995-96	0.42	2.09	0.88
1996-97 to 1998-99	0.19	1.31	0.72

*Source :* Reserve Bank of India Handbook of Statistics on the Indian Economy. 2000, Mumbai 2001.

Table 1 and 2 clearly show that the annual rate of increase in public sector, private sector, and total employment, respectively declined during the period, 1971-72 to 1998-99, and the decline was particularly sharp during the 1990s. The annual average rate of increase in employment in the public sector was a measly .019 to 0.42 percentage during the 1990s as compared to 2.62 to 4.20 per cent during the period, 1970-71 to 1985-86. The annual average rate of increase in total employment also declined from 2.75 per cent during the period, 1970-71 to 1975-76, to 0.72 per cent (i.e. the lowest ever rate during the period, 1996-97 to 1998-99 (Table1).

The annual average rate of increase in employment in the public sector factories declined from 5.97 per cent during 1973-80 to 0.39 per cent during 1990-97. In comparison, the rate of employment growth in the private organised manufacturing sector was quite high (3.71 per cent per year) during

1990-97. But can this be attributed to the New Economic Policy (NEP) in view of the fact that a similar rate of increase in employment was achieved in that sector during 1973-80 also? Further, it is noteworthy that the annual average rate of increase in total employment in the organized manufacturing sector at 2.83 per cent during 1990-97 was much lower than the rate of employment increase of 4.11 per cent during 1973-80. The years 1980-90 were the worst year form the point of view of employment generation in the organized manufacturing activities in all the sectors (Table 2).

**Table 2: Annual Average Rates of Growth of Employment in the Factory Sector Covered by the Annual survey of Industries (Percentages)**

<i>Sector</i>	<i>1973-80</i>	<i>1980-90</i>	<i>1990-97</i>
1. Public sector	5.97	1.26	0.39
2. Private and joint sector	3.49	0.30	3.71
3. Aggregate	4.11	0.57	2.83

*Source:* Golder (2000).

The only fairly reliable information available for assessing the backlog of unemployment in India is in the form of data on person on the live register of employment exchanges in the country. The number of persons on the register of employment exchanges increased form 5 million in 1970-71 to about 37 million in 1991-92 to 40 million in 1998-99. if we take into account those unemployed person who do not take the trouble of registering with the employment exchanges, the backlog of unemployment at the end of 1998-99 would be even higher that 40 million people. This further increased to 41 million in 2000 and 42 million in 2001.

### 3. Employment Elasticity of Growth

**Table 1: Sectoral and Total Employment Elasticity of Growth in India, 1977-78 to 2002**

<i>Sector</i>	<i>1970-78 to 1983</i>	<i>1983 to 1987-88</i>	<i>1987-88 to 1993-94</i>	<i>1993-94 to 1999-2000</i>
1. Agriculture	0.54	0.36	0.43	0.00
2. Mining and quarrying	0.79	1.00	0.35	0.00
3. Manufacturing	0.53	0.43	0.29	0.26
4. Construction	1.00	1.00	-	1.00
5. Transport and communication	0.67	0.63	0.23	0.69
6. Electricity, gas, etc	0.63	0.69	0.37	0.00
7. Other Services	0.99	0.82	10..	0.73
Total	0.53	0.39	0.39	0.15

*Source:* Planning Commission, Government of India (2001)

Not only the magnitude and structure of economic growth but its employment elasticity has also not been conducive to generate adequate employment opportunities in India. Table 1 presents the sectoral and aggregate employment elasticity of growth in India in different periods during 1978-2000. The employment elasticity of growth has been generally low in most of the sectors during 1978-2000. The employment elasticity of growth has been generally low in most of the sectors, and it has declined after 1987-88, particularly in mining and quarrying manufacturing, and electricity and gas. The employment elasticity of growth at the aggregate economy level decreased to 0.15 in the period 1993-94 to 1999-00. As the Eight Five-Year Plan has stated, "A declining trend in the employment elasticity with respect to GDP growth in recent year has made the task of accelerating the growth in employment more difficult," (Planning Commission, 1992, p.10).

#### **4. Total vs. Organised Sector Employment Trend**

The organized sector usually refers to employment in the public sector and in private sector establishment employing 10 or more person. It is commonly believed that wage in the organized sector are much higher than in the unorganized sector. Moreover, the organized sector being regulated also provides greater job security and other benefits. Within the organized sector, jobs in the public sector receive much higher wages and accompanying benefits than those in the private sector for similar skills. Besides this, public sector offers greater job security.

Data given in Table 1 reveal that the share of organized sector employment in total employment, which was of the order of 7.93 per cent in 1983 and 7.30% in 1988 declined to 7.08 per cent in 1999-2000. The organized

sector employment, which was 24 million in 1983, increased to 27.37 million in 1994 indicating a growth rate of 1.20 per annum during 1983-94. However during the post-reform period (1994-2000), organised sector employment crept up slowly from 27.37 million in 1994 to 28.22 million in 1999-2000, indicating a growth rate merely 0.53 per cent per annum. This was largely consequence of virtual stagnation of employment in the public sector during 1994 – 2000 and growth rate was (-) 0.03 percent per annum, but the private sector employment grew from 7.93 million in 1994 to 8.70 million in 1999-2000 indicating a growth rate of 1.87 per cent annum. But since then public sector accounted for over 69 per cent of total employment in the organised sector, enlargement of private sector employment was not able to effectively offset the declaration experienced in the public sector employment.

**Table 1: Total Employment and Organised Sector Employment**

<i>ector</i>	<i>Employment (million)</i>				<i>Growth rate (% per annum)</i>	
	<i>1983</i>	<i>1988</i>	<i>1994</i>	<i>1999 -2000</i>	<i>1983-94</i>	<i>1994-2000</i>
. Total population	718.21	790.00	895.05	1004.10	2.12	1.93
. Total labour force	308.64	333.49	381.94	406.05	2.05	1.03
. Total employment	302.75	324.29	374.45	397.00	2.04	0.98
. . Organised sector employment	24.01 (100.0)	25.71 (100.0)	27.37 (100.0)	28.11 (100.0)	1.20	0.53
. Public sector	16.46 (68.6)	18.32 (71.3)	19.44 (71.0)	19.41 (69.1)	1.52	-0.03
. Private sector	7.55 (31.4)	7.39 (28.7)	7.93 (29.0)	8.70 (30.9)	0.45	1.87
. 4 as % of 3	7.93	7.93	7.30	7.08		
. 2 as % of 1	43.0	42.2	42.7	40.4		

*Note:* 1. Total employment figures are on Usual Status(UPSS) basis.

2. The organized sector employment figures are as reported in the Employment Market Information System of Ministry of Labour and pertain to 31<sup>st</sup> March of 1983, 1994 and 1999.

3. Figure in brackets indicate the percentage of employment in the public sector and private sector to total organized sector employment.

Sources: Compiled and computed from Planning Commission (2001), report of the Task Force on Employment Opportunities. p. 2.25

It may be noted for Table 2 that in agriculture, organised sector employment is negligible. Even in a major sector like manufacturing organized sector employment is only of the order of 14 per cent and as much as 86 per cent of employment is generated through the unorganized sector viz., handlooms and powerlooms and other village and small scale industries, i.e., tiny sector in the SSI sector. There is deceleration in organised Sector employment in financial services, transport, storage and communication. There is virtual stagnation in organized sector employment in community, social and personal services. In trade, organised sector employment is negligible at 1.31 percent. Declaration of growth in organized sector employment has led to the shift towards unorganized sector, which implies a shift from better quality and secure employment to inferior and insecure employment. Also, faster growth in private sector employment did not offset the effect of the slow down in the public sector employment in the organised sector because the private sector share of employment in the organised sector was only one third.



**Table 2: Organised Sector Employment by Industry**

Sector	1993-94		1999-2000		Growth rate (% per annum)	
	Total	Organized Sector	Total	Organized Sector	1993-94	999-2000
Agriculture & Quarrying	24.46	1.48	237.56	1.39	0.61	0.58
Mining	2.70	1.09	2.27	1.01	40.37	44.49
Manufacturing	42.50	6.40	48.01	6.75	15.05	14.06
Electricity Gas & Water supply	1.35	0.97	1.28	1.00	71.85	78.12
Construction	11.68	1.23	17.62	1.18	10.53	6.70
Trade	22.78	0.45	37.32	0.49	1.62	1.31
Financial Services	3.52	1.53	5.05	1.65	43.46	32.67
Community, Social & Personal Services	32.13	10.93	33.20	11.49	34.02	34.61
<b>Total</b>	<b>374.45</b>	<b>27.18</b>	<b>397.00</b>	<b>28.11</b>	<b>7.26</b>	<b>7.08</b>

1 & 2 As on 31.3.1993 and 31.3.1999

3 & 4 As on 1.1.94 and 1.1.2000

source: 1. DGET fir employment in organised sector.

2. NSSO, 55<sup>th</sup> Round of Employment and Unemployment in India (1999-2000)

Some of these trends in employment in the organised sector likely to continue in the coming time also. It's well visible now that employment in the govt. sector is bloated and severe principal constraints are proving impediment in the employment growth here. Even the basic sector for human and economic development-education and health- are not spared. There is certainly need of more employment in such strategic sectors. But in order to finance expansion in these areas, it will be necessary to make economic in other areas. Hence, total volume of employment in govt. sector is therefore not likely to increase rapidly in future.

Rapid growth in organized sector employment in future must therefore depend upon faster growth in organised sector employment provided by the private sector. In this context, the experience of 1990's is reassuring because it does show sufficient faster growth in organised sector employment in private sector. If this growth can be sustained, and can be accelerated in future, it will in due course lead to increase in relative size of private sector, which in turn will pull up the growth in total organised sector employment over a period of time.

In this decade, therefore, we must recognized that the bulk of the growth in employment will have to come form the unorganized sector as defined and identified under present conditions. This points to the special importance of promoting self-employment in areas which can yield reasonable level of income. It also points to the need to encourage the process of modernization and structure change which can accelerate the transformation of presently unorganised sector activity into organised sector, providing better quality employment opportunities as fast as possible.

## Unemployment and Informal Sector Employment

As evident from the previous section organised industrial sector has a limited role in the context of employment generation. 'Employment problem' is aggravated by closure of inefficient units, labour retrenchment, which are result of structural adjustment programmes (SAP) and exit polity. Rise in contractual employment, casual station and informal sector employment even in the organised sector employment even in the organized sector are some of the outcomes which are predicated by many studies at the time of reforms (muddle 1992, Bhattachrya and Mirta, 1993).

### 1. Casualisation of Labour

Comparison across the recent rounds of NSSO shows an increasing degree of casualisation. This has continued in the latest round of NSSO also. Out of every 1000 persons employed in 1993-94 (50<sup>th</sup> round) 316 were casual labours. This proportion has increased to 331 in 1999-00 (50<sup>th</sup> round). Even in the segregate categories also there is clear cut trend towards casual station of labour.

**Table 1: Type of Employment (per 1000 working persons)**

1993-94		1999-00		
<i>Self employed</i>		<i>Casual Labour</i>	<i>Self employed</i>	<i>Casual Labour</i>
Rural male	579	338	550	362
Rural female	585	387	573	396
Rural	581	356	558	374
Urban male	417	162	415	168
Urban female	454	162	453	214
Urban	425	162	422	177
Overall	549	316	529	331

Fall in the category of self employed, which includes owner farmers and their family members and owners of small businesses, show the deteriorating plight of working force. In 1999-00, nearly 53% of workforce was self employed, compared to 55% in 1993-94.

## 2. Trends from NSSO

Both usual and current employment as a proportion of the workforce has been increasing consistently during the pre-reform period i.e. from 1983 to 1987 and from 1987 to 1993. But during the past reform period, with the impact of reforms, the employment rates have decreased during period 1993-99. It all resulted in increase in the open employment rate. Results are evident from the table 1. Current Daily Status unemployment has more than double during the period of 1993-99 after a secular decline during the pre liberalization period.

**Table 1: Work Participation, Employment and Unemployment Trends in India**

Year	<i>Labour force, UPSS</i>							<i>Labour force CDS</i>							
	<i>Rural</i>			<i>Urban</i>				<i>Total</i>	<i>Rural</i>			<i>Urban</i>			
	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>		<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>Total</i>	
1983	559	345	454	544	162	363	432	521	218	372	521	118	330	362	
1987	549	331	442	534	162	359	421	525	222	377	532	125	336	366	
1993	561	330	449	543	165	363	424	534	232	387	532	132	343	374	
1999	540	302	423	542	147	354	404	515	220	370	528	123	335	360	

Year	<i>Usual Employment Rates*</i>							<i>Usual Unemployment Rates**</i>							
	<i>Rural</i>			<i>Urban</i>				<i>Total</i>	<i>Rural</i>			<i>Urban</i>			
	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>		<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>Total</i>	
1983	97.9	98.6	98.1	94.1	93.2	93.9	97.3	2.1	1.4	1.9	5.9	6.9	6.1	2.7	
1987	98.2	97.6	98.0	94.8	93.8	94.6	97.2	1.8	2.4	2.0	5.2	6.2	5.4	2.8	
1993	98.6	99.4	98.9	95.9	93.9	95.6	98.1	1.4	0.6	1.1	4.1	6.1	4.4	1.9	
1999	98.3	99.0	98.6	95.6	94.6	95.2	97.8	1.7	1.0	1.5	4.5	5.7	4.7	2.3	

Year	<i>Current Daily Employment Rates**</i>							<i>Current Daily Unemployment Rates**</i>							
	<i>Rural</i>			<i>Urban</i>				<i>Total</i>	<i>Rural</i>			<i>Urban</i>			
	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>		<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>Total</i>	
1983	92.5	90.8	92.0	90.8	89.8	90.6	91.7	7.5	9.0	7.9	9.2	10.5	9.4	8.3	
1987	95.4	93.2	94.8	91.2	88.0	90.6	93.8	4.6	6.7	5.2	8.8	12.0	9.4	6.2	
1993	96.8	96.6	96.9	93.2	89.4	92.4	95.7	3.2	3.4	3.1	6.8	10.6	7.6	4.3	
1999	92.8	92.7	93.0	92.8	90.2	92.2	92.8	7.2	7.0	7.1	7.3	9.4	7.7	7.3	

Note: \*Number of person in labour force per 1000 population

\*\* Number of person employed/unemployed per 1000 workforce

Source: NSSO (1983a, 1990, 1992, 1994, 2001).

But in the urban female group only, proportion of the workforce employed has increased during the post reforms period. Another characteristic of post reform development is with rising magnitude of open unemployment, casualisation also increased. This is evident form the rising magnitude of semi

open unemployment (SOU) after its consistent decline during the earlier decade (Table 2). SOU is more severe for female workers, the proportion being almost 4-5 times of the corresponding male figure in both urban and rural areas. However, there has been decline in the proportion of NE during period 1993-99. This indicates that visible unemployment (OU) and casualisation (SOU) are increasing whereas concentration of poor within the more or less regular worker (NE) is declining. On the one hand, proportion of the regular employers are decreasing along with improvement in their position and on the other hand, proportion of the casual workers and unemployed are increasing, while their living standard naturally deteriorating. This trend of increasing inequality in the world of work is casting its shadow on society, causing polarisation of workforce which is clearly perceptible and matter of great concern.

**Table 2: Under-employment and Non-employment Trends in India**

Year	<i>Under-employment (SOU)</i>							<i>Poverty</i>					
	<i>(Number of persons per 1000 workforce)</i>							<i>Non-employment</i>			<i>(% of population)</i>		
	<i>Rural</i>			<i>Urban</i>				<i>Rural</i>	<i>Urban</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>	<i>Total</i>
	<i>M</i>	<i>F</i>	<i>T</i>	<i>M</i>	<i>F</i>	<i>T</i>	<i>Total</i>						
1983	11.6	41.2	22.6	7.2	27.8	11.5	20.4	42.7	37.7	41.5	45.7	40.8	44.5
1987	8.7	44.1	21.6	6.8	32.6	12.3	19.6	36.6	34.2	36.0	39.1	38.2	38.9
1993	6.4	31.5	15.4	4.6	22.4	8.3	13.6	36.1	29.8	34.4	37.3	32.4	36.0
1999	<u>9.8</u>	<u>31.5</u>	<u>17.3</u>	<u>5.2</u>	<u>19.0</u>	<u>7.9</u>	<u>15.0</u>	<u>26.5</u>	<u>20.9</u>	<u>24.9</u>	<u>29.1</u>	<u>23.5</u>	<u>27.6</u>

Source: Same as Table 1 and also Planning Commission (1993), Malhotra (1997), Sudaram and Tendulkar (2003).

Interesting results can be brought out by looking at the absolute number of persons. It is observed that the size of the workforce and the number of people employed have increased consistently throughout period of study. It is evident from table 3 and 4

**Table 3: Growth in Numbers of Workers and Employed**

Year	Growth rate of usual workers							Growth rate of current workers						
	Rural			Urban			Total	Rural			Urban			Total
	M	F	T	M	F	T		M	F	T	M	F	T	
1983-87	0.9	0.1	0.6	4.2	4.2	4.2	1.4	1.6	1.6	1.6	4.8	5.8	5.0	2.3
1987-93	1.7	1.0	1.5	4.0	4.4	4.1	2.1	1.6	1.8	1.7	4.0	5.0	4.3	2.3
1993-99	1.8	1.2	1.5	1.3	-0.5	1.0	1.4	1.8	1.8	1.8	1.2	0.3	1.0	1.6
Year	Growth rate of usually employed person							Growth rate of usually unemployed persons						
	Rural			Urban			Total	Rural			Urban			Total
	M	F	T	M	F	T		M	F	T	M	F	T	
1983-87	1.0	-0.1	0.6	4.4	4.4	4.4	1.3	-3.1	14.4	2.8	1.1	1.5	1.2	2.1
1987-93	1.8	1.4	1.6	4.3	4.4	4.3	2.2	-2.5	19.8	-8.3	0.0	4.1	0.6	-4.0
1993-99	1.7	1.1	1.5	1.2	-0.3	0.9	1.3	5.1	10.2	6.9	2.8	-1.6	2.1	4.3
Year	Growth rate of currently employed persons							Growth rate of currently unemployed persons						
	Rural			Urban			Total	Rural			Urban			Total
	M	F	T	M	F	T		M	F	T	M	F	T	
1983-87	2.3	2.3	2.3	4.9	5.2	5.0	2.9	-10.2	-5.5	-8.6	3.5	9.4	4.7	-4.8
1987-93	1.9	2.4	2.0	4.4	5.3	4.6	2.7	-4.4	-9.0	-6.7	-0.3	2.8	0.7	-3.7
1993-99	1.1	1.1	1.1	1.1	0.4	0.9	1.1	16.5	14.8	16.9	2.4	-1.7	1.2	10.8

Source: Same as Table 1.

**Table 4: Growth in Number of Under-employed and Non-employed**

<i>Under-employment (SOU)</i>								<i>Poverty</i>					
<i>(Number of persons per 1000 workforce)</i>								<i>Non-employment</i>			<i>(% of population)</i>		
Year	<i>Rural</i>			<i>Urban</i>			Total	<i>Rural</i>	<i>Urban</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>	<i>Total</i>
	M	F	T	M	F	T							
1983-87	-6.1	1.9	-0.5	2.9	5.5	5.9	0.3	-2.5	2.0	-1.5	-2.6	2.8	-1.3
1987-93	-3.4	-4.4	-4.2	-2.6	-1.9	-2.6	-3.9	1.0	1.5	1.2	0.4	1.1	0.6
1993-99	9.2	1.2	3.5	3.2	-3.1	0.3	3.1	-2.6	-4.4	-3.1	-1.6	-3.9	-2.2

Source: Same as Table 2.

Growth in UPSS employment (UPSSE) exceeded the growth in workforce, and hence employment rates increased, during the pre-reform period. But in the period after 90's, the growth in UPSSE fell short of growth in workforce, and hence employment rates declined. Same is true for CDS employment (CDSE) also. More significant, however, is the fact that the rise in the UPSSE rate for urban female during the post reform period is not a cause for enthusiasm. It is believed to be caused by decline in UPSSE and a more than proportional decline in the workforce. Urban females are withdrawing themselves from UPSS workforce. It is outcome of prolonged unemployment and then work is not available even after a long wait, a large proportion of females withdraw themselves from the labour force rather than report being unemployed. However, the post reform increase in the current employment rate for urban females is due to an increase in workforce along with a more proportionate increase in employment. This may have been caused by the increased availability and employment of females in irregular and low paid jobs, especially in the service sector. The fact that females are available at



lower wages than males (and are less prone to form labour organisations) may have tilted the balance in their favour.

### ***3. Informal Unorganised Sector Employment in Urban Areas***

By assuming that all organised sector activities are conducted in the urban areas the estimate of urban unorganised / informal sector employment has been derived for several time points. Starting from 1983 to 1997, Figures of Table 3.1 are indicative of rise in the share of urban unorganised sector employment from 59% in 1983 to around 68% in 1997.

**Table 3.1: Percentage Share of Informal/Unorganised Sector Employment**

<i>Year</i>	<i>All Activities* (Urban)</i>
1983	59.2
1987-88	61.8
1989-90	63.4
1990-91	63.9
1992	64.5
1993-94	67.1
1994-95	67.0
1995-96	67.5
1997	68.1

Notes : 1. \*Presuming all organised sector activities are held in urban areas, estimates of unorganised sector have been derived.

2. \*\*Estimates are based on data from DGE&T (1989-90 and Economic Census (1990); Arap Mitra (1998), "Employment in the Informal Sector", *The Indian Journal of Labour Economics*, Vol. 41, No. 3

All this suggests a rise in low productivity and low Income Jobs in the urban economy during the nineties. Besides, contractual employment and piece rate Jobs are arising within organised sector, which do not necessarily get reflected in figures on organised sector (mitra 1999). Further, the critics of new development strategy hold that the organised industrial growth may not be high in long run and the present low rate of infrastructure investment would slow down even agricultural growth, leading to larger inflows of migrants labour to urban areas from the rural areas and subsequent expansion of urban informal sector (Kundu, 1997). Hence in overall scenario, employment in the organised sector is decreasing paving the way for more employment in the Informal sector. This all is creating a very good stage for exploitation of labour in the hands of capitalists.

### **Census Reports Trends**

Census data is provided for main and marginal workers here trends has been analysed by taking three decennial censuses 1981, 1991 and 2001. Work participation rates for female workers in the category of main + marginal, shown a clear increase in both decades. However, in the same category, WPR for males had shown a slight decrease during 1981-91, and a moderate increase in both rural and urban areas during 1991-2001. WPR separately for main and marginal workers shows some deviations from the past. WPR shows a sharp decline in case of male workers, under main category, by 6.67% points in rural areas and a small decline in urban areas. But, WPR for marginal workers shows a spurt during 1991-2001, for male workers both in rural and urban areas. Female WPR is also showing same type of trends during 1990s. This all has raised the proportion of marginal workers in total workforce from 1.20% in the

1991 to 12.69% in 2001 in case of male workers and from 23.42 per cent to 42.81 per cent in case of female workers.

**Table 1: Workforce Participation Rates in India by Area and Sex**

Year/workers	<i>Males</i>			<i>Females</i>		
	<i>Rural</i>	<i>Urban</i>	<i>Total</i>	<i>Rural</i>	<i>Urban</i>	<i>Total</i>
<b>Main workers</b>						
1981	52.62	48.54	51.62	16.00	7.28	13.99
1991	51.10	48.34	50.37	19.05	8.60	16.41
2001	44.43	47.42	45.27	16.74	9.11	14.66
<b>Marginal workers</b>						
1981	1.19	0.53	1.03	7.18	1.04	5.77
1991	0.72	0.35	0.62	8.10	1.04	6.32
2001	7.84	3.38	6.58	14.18	2.43	10.97
<b>Main + marginal</b>						
1981	53.8	49.61	52.78	23.18	9.35	19.76
1991	51.84	48.69	51.00	27.15	9.64	22.73
2001	52.26	50.80	51.85	30.92	11.53	25.63

*Source: Calculated from Census Reports*

The sharp increase in the WPR of marginal workers is due to the fact that the proportion of casual workers is increasing and they do not get employment throughout the years on a sustained basis.

All India level of compound annual growth rate (CAGR) also shows similar trends. CAGR for total workers (main + marginal) has remained stable during both decades at around 2.52%

**Table 2: Compound Annual Growth Rate of Workers by Category in India**

Workers category	1981-1991			1991-2001		
	Rural	Urban	Total	Rural	Urban	Total
Males						
Main workers	1.84	3.07	2.13	0.31	2.60	0.93
Marginal workers	-2.89	-1.11	-2.64	29.20	28.93	29.16
Main + marginal	1.75	2.92	2.03	1.8	3.23	2.18
Females						
Main workers	3.79	5.01	3.94	0.50	3.47	0.94
Marginal workers	3.23	3.29	3.23	7.66	11.96	7.87
Main + marginal	3.62	3.58	6.61	3.13	4.74	3.32
Total						
Main workers	2.31	3.31	2.52	0.36	2.72	0.93
Marginal workers	2.51	1.86	2.47	11.72	19.06	12.22
Main + marginal	2.33	3.28	2.52	2.26	3.47	2.53

Source: Same as Table 1.

But in case of main and marginal workers the picture is different. Growth rate of main male workers has come down sharply from 2.13% in

1981-91 to 0.93% in 1991-2001. In case of female workers decline is even sharper – from 3.94% to 0.94. On the other hand, marginal workers show a tremendous growth in their number, CAGR being 29.16 percent for males and 7.87% in case of females during the post reform decade.

### **Impact on Poverty**

As a consequence of New Economic Policies the head count ratio of poverty continue to persist at a high level. The estimated poverty, as per the table 8.1 shows that after 1993-94, poverty in both rural and urban areas has increased poverty has crossed mark of 42% and 34.5% in 1998 in rural and urban areas respectively.

During the period 1994-95 through 1998 urban poverty appears to have remained stagnant nearby 34% with the exception of 1994-95. But there is fall in employment opportunities in rural non farm sector and decline role of urban economy in benefiting the rural migrants, caused rise in rural poverty between 1993-94 and 1998. Structural adjustment and fiscal stabilisation affecting the urban organised sector through import compression and fiscal contraction (Tendulkar and Jain, 1995) possibly deteriorated the poverty situation. The impact of growth on poverty has been a matter of major concern both for policy makers and researchers. World Bank studies suggest that in the process of economic growth, relative inequality might increase but poverty tend to decline. But the trends, particularly from the urban areas are not supportive of this view. Even in the highly industrialised state growth seems to have made no dent on poverty as the percolation effect, which is expected to work mainly through the output-employment linkages has not been significant. Particularly, secondary sector growth has not reduced poverty in urban and rural areas.

**Table 1: Head Count Ratio of Poverty (%)**

Year	Rural	Urban
1973-74	56.44	49.01
1977-78	53.07	45.24
1983	45.65	40.79
1987-88	39.09	38.20
1993-94	37.27	32.36
1994-95	38.03	34.24
1995-96	38.29	30.05
1997	38.46	33.97
1998 (Jan-June)	42.25	34.58

Source 1 : Estimates for the years 1973-74 through 1993-94 are based on NSSO's large sample data (Modified Expert Group Methodology). Malhotra (1997). "Incidence of Poverty in India: Towards a Consensus on Estimating the Poor", *Indian Journal of Labour Economics* ' Vol.40, No.1.

2 : Estimates for the years, 1994-95, 1995-96, 1997 and 1998 (Jan to June) are based on NSSO's thin sample data : taken from S.P. Gupta (1999), 'Trickle Down Theory Revisited : The Role of Employment and Poverty". V.B. Singh Memorial Lecture. 41<sup>st</sup> Annual Conference Indian Society of Labour Economics.

3: The data beyond 1998 is not taken here because; Economy Survey acknowledges that; poverty estimates based on the 55<sup>th</sup> round of NSSO are not comparable with earlier estimates of poverty due to change in methodology of data collection. (GOI, Ministry of Finance, Economic Survey, 2000-2001, p. 194.

Moreover, Abijit Sen points out the fact that the basic change in methodology is in terms of reference period's use in question regarding consumption. "In all NSS rounds after the early 1950's the reference period has been uniform, with respondents asked about their consumption during the past 30 days". But after experimenting with an alternative questionnaire using a 'past week' reference period for the food and past '365 days' for certain other items and having obtained higher consumption especially for lower households, the NSSO has changed its questionnaire" (Estimates of Consumer Expenditure and Distribution – Statistical Priorities After the 55<sup>th</sup> Round, *Economic and Political Weekly*, December 16, 2000, p. 4500).

Hence due to this deliberate statistical manipulation, further data shows the reverse trends. In addition to this, many authors have shown in their writings about increasing level of poverty also.

## **Conclusion**

Passing through all this analysis, it's quite evident that employment growth in the organized sector has been sluggish during eighties and nineties. In spite of rapid industrial growth during the eighties, employment growth in the organized sector has not been impressive. Factor market distortion and adoption of capital intensive technology possibly led to such a sluggish employment growth in the organized industrial sector. Even in the post reform period employment elasticity does not seem to have improved to any significant extent. The share of industry in the total workforce is quite low. Given the limited demand for labour in this sector, the informal sector has acted as a repository of surplus labour, which has been growing owing to the natural growth of population and rural-urban migration.

On the whole, some of the major outcomes of deregulation and economic reforms in India are manifested in terms of tertiarisation, casualisation and feminisation of the work force, with rise in part time rather than regular jobs, and an increasing share of the informal sector in total employment. With increasing employment in informal sector exploitation has also increased, resulting in high head count ratio of poverty. Both rural and urban poverty shows sign of increase in the nineties. Implementation of rural development programmes possibly can reduce the supply pressure in the urban employment seekers. For this a profound exercise involving formulation of rural employment programmes need to be attempted by policy makers and planners to tackle the 'employment problem' more effectively.



## CHAPTER 3

# SOCIAL SECURITY AND SAFETY FRAMEWORK FOR LABOUR IN INDIA

### Introduction

As evident from the previous chapter liberalization has had negative impacts on the employment scenario at the national level. It has happened both in quantity and quality terms. A large portion of workforce about 93% is engaged in the unorganized sector. This sector is growing with the positive pace of liberalization. This all is making security system fragile day by day. There were apprehensions which are now glaring with feeling bad factors that the impact of reforms may not be favourable to the unorganized sector. The present social security system of unorganized sector is fraught and state is pulverizing the security system of organized sector. Ban on strike is such type of measures, which we will discuss in the next chapter. Problems like inadequate coverage, ineffectiveness and imbalance between the income enhancement and income maintenance measures are emerging and become trends. This all has made the 'social security concept' quite important vis-à-vis labour.

The concept of social security which evolved in developed countries and codified by ILO means: protection given by society to its members through a series of public measures from economic and social distress that otherwise would be caused by stoppage or substantial reduction of ensuring from

sickness, maternity, employment injury, provision of medical care and provisions of subsidies for the deprived class.

This concept has been formulated for developed countries keeping in view the large proportion of people as wage earning workers whose primary concern is protection of their income against a loss. In developing country like India, however, only a fraction of population is directly linked to the formal sector within the framework of which social security schemes have been developed in developed countries. Developing countries workers mainly engaged in informal sector, are primarily concerned with security of work and earning some livelihood. So definition of social security in the developing countries is much broader concept as compared to the developed countries. Therefore a developing country while evolving the social security mechanism needs to keep the specific needs of the society on the concern instead of concentrating on the specific forms and means. As A. Sen observed that basic idea of social security should be to use social means to prevent deprivation and vulnerability to deprivation.

In this context social security has two aspects, namely protection and promotion. Protection is concerned with preventing a decline in living standard in general and in the basic condition of living. Promotion is concerned with enhancing the normal living condition and dealing with regular and often persistent deprivation. In India protective social security measures have been extended to organized sector. In the unorganized sector, however, India has relied mostly on the promotional measures. Initiation of reforms in 1991, led the people to argue that there is a need for increase in social security programmes in order to face the negative consequences of reforms. The trend of labour retrenchment, casualisation, exploitation has increase the number of

worker in need of social welfare. Thus, it seems that reforms are further accelerating segmentation of labour market by informalisation of economy where in labour standard are not kept even at the minimum level.

In this chapter, we make an attempt to understand the impact of reforms on 'social security' from labour class angle, by conventional categorization of workers into formal and informal sector. As we have already analyzed the trends in the employment scenario of labour market. Here attempt is made to link the concept of employment with safety nets measures and social security available for workers in India and analyze these trends with the emerging trends of Indian economy.

### **Security Measures for Workers in the Unorganised Sector**

The social security measure for the unorganized sector workers are mainly following:

- Welfare funds
- Minimum wage legislation
- Anti-poverty employment generation programmes
- Wage employment programmes

In addition to these schemes, schemes quite recently labunched by GoI is: *Pilot Social Security Scheme*.

In this section, we will deal these security provisions made available to the workers. Under each provision we will discuss both the pros and cons, evaluating the degree of performance of each one.

## **1. Welfare Funds**

Several legislations have been enacted by Government of India, for assisting the workers in the unorganized sector. For this Ministry of Labour have set up five welfare funds, these funds cater to need of workers in area of housing, medical care, educational and recreational facilities to workers employed in the beedi industry, and certain non coal mines. Efforts have also been made towards substantially expanding the application of welfare fund approach to cover categories and subcategories of workers in the unorganized sector. This scheme is outside the framework of specific employer-employee relationship in as much as the resources are raised by government on a non contributory basis and delivery of services are effected without relating to the individual workers contribution. Apart from the welfare fund set up by the central government, various state government have also formulated welfare programmes and implementing these through funds created by them for certain categories of unorganized labour. In India, the ideal example of social security benefits in the unorganized sector that is often quoted is the welfare fund for beedi workers under the beedi and cigar workers act. A body consisting of representatives of government, employers and workers regulate this welfare fund. Identity cards are provided to workers, who receive minimum wages. Charges of hospitalization, insurance in case of sudden death, travel facilities for recreation of workers are some of benefits extended to them. Education of their wards is supported through scholarship and money is provided for purchase of uniform of their children.

However, provident fund pension is not included in the benefits provided and this issue has been taken up by government in the recently announced social security schemes for unorganized sector.

But apprehensions are raised about the funding of these social security benefits. The Beedi worker's welfare fund has been a success because it is funded through a cess of tax on the commodity. Similar options for the benefit for other workers have to be devised. Here again a mix of public and private sector responsibility be most appropriate – the government, employer and workers, all contributing to a social security fund. The modules operand for such a fund and its disbursement is of course crucial if the benefits are to accrue to the most insecure groups in the labour market (Unni).

Although, the welfare funds have played an important role in minimizing risk associated with association of such workers. The coverage is very small in comparison to the number of workers in the unorganized sector, particularly those involved in home based work. Obviously, similar funds for other trades and for contract work should be devised. Moreover, these measures are far from adequate for providing some minimum income to such workers in unorganized sector. As such, there is no alternative to implementing the appropriate support system in the form of training, credit, appropriate technology etc, for the large number of home based workers and micro enterprises both in rural and urban areas. There are many examples of proper support system along with organization of workers that have contributed to the growth of income of such workers in several parts of country. SEWA is one telling example of such an initiative but there are others as well.

## **2. Minimum Wage Legislation**

In India minimum wage legislation is the main important labour market regulation for the workers in the informal sector. The Minimum Wages Act was passed in 1948 to facilitate the fixation of minimum wage, a hallmark step in the realm of labour security. It recognizes that the role of market and the law

of supply and demand should not be completely allowed to determine labour wages. Under this act, both the central and state govt. have set minimum wages for agriculture as well as for a range of occupations in the unorganised industries, which are thought to be particularly vulnerable to exploitation. There are fairly large number of occupations for which minimum wages are currently fixed. These wages are revised by the state govt. from time to time, yet comparing to the real situation these rates are very nominal. The minimum wage may be fixed at “time rate, price rate, guaranteed time rate and over time rate”. In most of fixation govt. has not apparently taken in to consideration the minimum requirement of a workers family to rise above the poverty line (Bhagat, 1997). But even these bare subsistence level wages, in an overwhelmingly large number of occupations across various regions of the country, have not been enforced. Nor has the attention paid to treat minimum wage as an installment for the labour security and poverty alleviation. Contrary to this, it has been argued that strict implementation or enforcement of minimum wage, may lead to rise in the price level, which will cause to erosion of real gains in the higher wages. Moreover when this will be implemented, it can cause reduction in the demand of labour, as a consequence of rise in real wages. Ghose (1997), while examining these issues in depth strongly refutes these argument and finds all the irrelevant in the context of India. In fact, minimum wages even at very low level and poor inforcement, have served some useful purposes. First, minimum wage legislation has proved a pillar stone to set up the floor level wages. This has a role in pushing wages upward in slack seasons and in depressed areas including the wages of women. With the legislation of minimum wages, labour has got a platform, from which they can bargain for the reasonable remuneration from employer (Parthasarthy 1997).

Although, the objective of fixing and revising minimum wage under the Minimum Wage Act 1948 was to alleviate poverty of workers particularly in the informal sector, the regulation could not solve the basic purpose even after fifty years of independence. Except in a few states such as Punjab, Haryana, Kerala, Western Uttar Pradesh etc. the actual agricultural wages have been much lower than the minimum wage prescribed under the act. But it should also be noted that the minimum wage rates in operation are lower than the market going wage rate in most of state. Another thing important in this context is there exist widely prevalent minimum wage differential across the states. It can, therefore, be said that the minimum wage act, 1948 has not been able to make any significant dent on the social security of labour. So there have been strong and persistent demand from several quarters for wider coverage of minimum wage legislation, higher levels of revisions and stricter enforcement of minimum wages so that they serve the objective of poverty alleviation and social security for the large number of casual workers in agriculture, unorganized industry and services in the country who belong to the poorest segment of population. Organisations like National Centre for labour are campaigning for the enactment of a national level legislation on minimum wages, which takes in to account the minimum wages equivalent to the norms for the poverty line.

Union cabinet deferred on Nov. 6, 2003 its decision on the 'unorganized sector workers bill' that seeks to extent minimum wages and other social benefits to about 37 crore labourers in 122 sectors. This bill has been sent back to the ministry of labour for 'fine tuning'.

While it is true that there are problems in enforcement of this legislation, this should not be cited as an excuse for non implementation of the act. The

revised rates and provision of the act could be widely published throughout the country through the media, and the village panchayats may be given power for implementation of these. Their active role can become a rallying point for organizing the unorganized workers. Further, determined efforts should be made to use the existing labour inspection machinery of the govt. to enforce the provision of the minimum wages act. And, of course, the govt. must ensure that the officially announced minimum wages are paid in all govt. sponsored activities such as special employment programmes, public works, etc. (Ghoshe, 1997).

### **3. Pilot Social Security Scheme**

One of the very important milestones in the welfare of labour is this scheme. The cabinet approved on January 7, 2004. pilot social security scheme for people working in the unorganised sector. The scheme promises to provide social security to 50 lakh labour in the unorganised sector. To be implemented by the 'Employment Provident Fund Organisation' network, the scheme claims to provide triple benefits to the workers. It envisages a flat rate registered pension of Rs. 500 per month on retirement at the age of 60 years and family pension in case of death or disablement of the worker. It aims at a personal accident insurance cover for Rs. 1.5 lakh and convergence of the Universal health Insurance Scheme for a worker and his family at the cost of Rs. 548 per annum for a family of five members, or Rs. 365 per annum for a family of three members. The scheme will cover all the workers in the unorganised sector earning not more than Rs. 6500 per month. The scheme will be financed by contributions from workers at the rate of Rs. 50 per month in the age 36-50 years. The contribution from the employers will be Rs. 100 per month and govt. contribution will be at the rate of 1.16% of monthly wages of workers.



This scheme was started by the union labour ministry on January 23, 2004 in New Delhi. Analysing this scheme from social security angle, it is too early to comment on it. Only the coming time development will unveil whether this scheme will prove a blessing for the unorganised sector workers, or be a part of many such flop schemes. Former Prime Minister Vajpayee has formally launched this scheme on the experimented basis in 50 districts for a period of two years, by allotting a National Security number to 14 workers in Lucknow on February 22, 2004.

#### **4. Anti Poverty and Employment Programmes**

##### **4.1 Urban Employment and Anti Poverty Programmes**

Even after liberalisation, with increased opportunity of Jobs – as propagated – it has been realised that poverty in the urban areas is as persistent as in the rural areas, though its magnitude is smaller. Anti poverty and employment programmes were inaugurated with self Employment programme for urban poor (SEPUP) in 1986. Under this programme assistance was facilitated to the urban households living below the poverty line for starting self employment. Ventures on the basis of a bank loan up to Rs. 500. Out of this, 25% was to be government subsidy. But this programme could not be fruitful, as the banks through which it was implemented, has not shown a proper interest in it.

##### **4.1(A) Nehru Rozgar Yojana**

Introduced in 1989, this was a major plan for promoting urban employment. Main aim was to provide employment to the urban unemployed and underemployed poor, through wage work and self employment ventures as

well as upgradation of houses of poor. Early scheme 'SEPUP' was merged in to 'Nehru Rozgar Yajana' (NRY) in 1992-93.

Nehru Rozgar Yajana was a quite extensive plan. But even if the envisaged were reached and the programmes were effectively implemented, the coverage of the programme would still be too meagre in relation to the magnitude of the problem in urban areas. It's quite impossible to tackle all urban unemployment through wage employment in public works. A large proportion of urban unemployed who are educated, and openly unemployed, look for regularly full time work. As a result of which the scope for wage employment programme like the rural Jawahar Rozgar Yajana (JRY) are limited in urban areas. But self employment offers substantial scope in urban settlements, particularly in the informal sector. The SUME scheme under NRY seems to be very limited attempt in this regard in relation to the magnitude of unemployment.

#### **4.1(B) Swarna Jayanti Shahri Rozgar Yojana (SJSRY)**

Swarna Jayanti Shahri Rozgar Yojana was launched in April 1999. Subsuming the earlier urban poverty alleviating programmes namely Nehru Rozgar Yojana (NRY), urban basic services for the poor (UBSP) and the Prime Minister Integrated Urban Poverty Fradication programme (PMIUPEP). Providing gainful employment to the urban unemployed or under unemployed or employed poor through encouraging them to set up self employment ventures or provisions of wage employment is the objective of the scheme. There are two schemes under SJSRY – the Urban Self Employment Programme (USEP) and the Urban Wage Employment Programme (UWEP). Urban Self Employment has three Distinct Components: (i) Assistance to Individual poor for setting up of gainful self employment venture, (ii)

Assistance to groups of urban poor women for self employment called Development of Women and Children in Urban Areas (DWCUA) and (iii) Training of beneficiaries, and other persons associated with the urban employment programme for upgradation and acquisition of vocational and entrepreneurial skills.

#### **4.1(C) Prime Minister's Rozgar Yojana (PMRY)**

PMRY Was launched in urban areas during 1993-94, and most important national level scheme for promotion of self employed launched early, the Self Employment for the Education Unemployed Youth (SEEUY), has been submitted in it since then. From 1994-95, PMRY is extended to rural areas. The objective of scheme is to provide self employment opportunity in Industry, business and services to one million educated unemployed youth. The scheme is applicable to youth in the age group 18 to 35 years, who have passed or failed in matriculation exams or qualified from ITI or who have undergone a govt. sponsored technical course for a minimum duration of six months, and have a family income not exceeding Rs. 24,000 per annum from all sources. The entrepreneur is required to contribute 5% of the project cost as margin money and balance of 95% would sanctioned as composite loans by banks without any collateral guarantee. Central govt. would provide subsidy at rate of 15% of the project cost subject to a ceiling of Rs. 7500 per individual.

Again the problem area with this plan too is lack of effectiveness in operation. With rising unemployment, number of youth seeking assistance under PMRY, is increasing with each day. But almost half of the applications are rejected by the taskforce committee of the district industry centres, mainly owing to inadequate technical skills. Also, there is a lack of public campaign

focusing on various aspects of PMRY such as skill requirement, eligibility, fund availability, etc.

## **4.2 Rural Employment and Anti-Poverty Programmes**

### **4.2 (A) Integrated Rural Development Programme (IRDP)**

IRDP Was initially initiated for a limited period in 1977-78, and then was formally started in year 1980-81. It is merged with Swarn Jayanti Gram Swarojgar Yojana (SGSY) in April 1999 consisting of subsidy and bank loans to enable these people to acquire productive assets such as livestock, manufacturing equipments and business space. Under this two more programmes allied, namely, Training of Rural Youth for Self Employment (TRYSEM) and Development of Women and Children in Rural Areas (DWCRA) were also put in operation. It is initiated to provide training support, and to provide special focus on the women and children.

The programme, as envisaged in its design, has succeeded to some extent in reaching the poor and amongst them particularly disadvantaged groups like Scheduled Castes (SC) and Scheduled Tribes (ST). But it suffers from some serious limitation to be an effective instrument to raise the income level of assisted households substantially and permanently to lift them above the poverty line. First, though programme is termed as integrated, it, in fact, lacks any link with other development programmes of the area and thus tends to ignore input and market linkages and infrastructure requirements of assisted activities. Second, in relation to the requirements of meeting a quantities target in terms of the number of families covered, the identification of activities and projects often tend to be arbitrary, viability and sustainability aspects are often neglected. Third, the provisions of outright cash subsidy are often leads to

misappropriation of benefits due to lack of a stake and interest from the beneficiaries. Fourth, there was an implicit assumption that the prospective beneficiaries possessed information and skills to enable them to choose viable options, had access to the raw material and were aware of markets. These are the disabilities from which the poor suffer which the IRDP did not take in to account, particularly those relating to community decision making. Fifth, bureaucratic red-tapism delays delivery at several levels.

#### **4.2(B) Swarna Jayanti Gram Swaroggar Yojana**

With addition of several programmes, viz, TRYSEM, DWACRA, Supply of Improved Toolkits to Rural Artisan (SITRA) and Gange Kalyan Yojana (GKY) in IRDP over the years, there is a complete lack of sectoral integration in their implementation as each one started operating as an individual programme and focused entirely on achieving its own goals. With a view of ensuring sectorial integration and making poverty alleviation programmes more meaningful, they are merged in to simple programme – the Swarna Jayanti Gram Swarozgar Yojana (SGSY), with effect from April 1, 1999. The SGSY aims at establishing a large number of micro enterprises in the rural areas with an emphasis on the ‘cluster’ approach. In each block four to five key activities are to be identified, based on their resource endowment, occupational skills and the availability of market. Results of evaluation of the schemes are yet to be known. However, since SGSY is still credit-cum-subsidy programme, It is feared that scheme may face similar difficulties as in the case of IRDP unless the old loopholes and short comings are removed effectively.

## **5. Wage Employment Programme**

Short-term wage employment on public works has been an old and conventional device used by government to provide relief to poor households from hardship caused by drought, food and other natural calamities. The first major programme called 'Food For Work' was initiated in India during the 1970s. Subsequently, National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) were started with the objective of providing gainful employment to the unemployed and underemployed and building community assets and rural infrastructure.

### **5.1 Jawhar Rozgar Yojana and Employment Assurance Scheme**

Experience of implementation of NREP and RLEGP showed that large investment made in generating employment did not yield commensurate returns in terms of creation of durable and useful assets. Even on the employment generation front, administrative procedures were not cost effective and thus a sizeable part of the funds got utilized in overheads. With a view to remove some of these shortcomings a new programme, Jawahar Rozgar Yojana (JRY), was launched on April 1, 1989 by merging NREP and RLEGP. Some basic changes in the modus operandi of the implementation were also introduced. The basic objective of the programme, however, remained the same, except that the creation of additional employment opportunities for unemployed and underemployed was emphasized as a primary objective, and creation of sustained employment by strengthening rural economic infrastructure and also that of assets in favour of the rural poor and improvement in the quality of life in the rural areas as a secondary objective. A major change introduced in JRY in 1993-94 in comparison with the earlier

programmes, was that funds based on pre determined criteria would be provided to every village panchayat, itself based on the overall guidelines provided by the central and state governments.

## **5.2 The Employment Assurance Scheme (EAS)**

EAS Was launched on October 2, 1993 in identified backward blocks situated in drought prone areas, desert areas. Initially it covered 1772 blocks in country. Scheme provides for assured employment of up to 100 days during the lean agricultural season to those seeking work, where the work would be of an unskilled manual type. The secondary objective is the creation of economic infrastructure and community assets for sustained employment and development. EAS has been restructured in 1990-00. It is now an allocation based scheme under which funds are shared by center and state in the ratio of 75:25. The allocation of funds to the state is made on the basis of incidence of poverty and district wise allocation with in a state on the basis of Index of backwardness. The conflict between employment generation and asset creation objectives, common to all wage employment programmes, has assumed greater significance in the case of JRY, particularly in the view of its large outlays. It is, therefore, argued that while the provision of additional gainful employment to the poor is the primary objective of the programme and is being met to a significant extent, it is desirable to ensure that such large outlays help simultaneously create useful community and productive assets for sustaining development and employment generation in rural areas.

With an objective to develop village infrastructure, JRY has been strengthened and restructured as Jawahar Gram Samridhi Yojana (JGSY) with effect April 1999. The primary objective of JGSY is the creation of village infrastructure including durable assets at the village level and assets to enable

the poor to increase opportunities of sustainable development. Another objective is to generate supplementary employment for the unemployed rural poor, though there is no sectoral earmarking of resources under JGSY, 22.5% of allocation must be spent on schemes for SC/ST families living below the poverty line and 3% for the creation of barrier free infrastructure for disabled. Nearly 30% of employment opportunities are to be reserved for women. Under the programme, each village Panchayat has to prepare an annual plan, which shall be approved by Gram Sabha. Priority will be given to the completion of incomplete works. The village panchayats are empowered to execute work schemes up to Rs. 50,000 without seeking any technical approval.

The primary objective of JGSY is the creation of village infrastructure including durable assets at the village level and assets to enable the poor to increase opportunity of sustainable development. Another objective is to generate supplementary employment for the unemployed rural poor. Though there is no sectoral earmarking of resources under JGSY, 22.5% of allocation must be spent on schemes for SC/ST families living below the poverty line and 3% for the creation of barrier free infrastructure for disabled. Nearly 30% of employment opportunities are to be reserved for women. Under the programme, each village panchayat has to prepare an annual plan, which shall be approved by Gram Sabha. Priority will be given to the completion of incomplete works. The village panchayats are empowered to execute work schemes up to Rs. 50,000 without seeking any technical approval.

Now evaluating the above said schemes under this section; EAS success in providing employment has been rather limited. This scheme is constrained from several limitation, such as bogus reporting, providing employment without assets entailing the risks of again falling below the poverty line, etc. It



has been suggested by many that in order to improve efficacy of the programme and ensure that the poor and unemployed get up to 100 days of employment in the lean agricultural season, the programme should be restricted to backward areas a characterized by poor agriculture, chronic poverty and hunger.

### **5.3 Employment Guarantee Scheme (Maharashtra)**

Apart from the major rural employment and poverty alleviation programmes sponsored by Government of India, described above, a unique initiative for guaranteeing gainful employment was taken in the state of Maharashtra in early seventies and has been in operation since then. Aimed at providing gainful and productive employment to the people in rural areas and small towns who are prepared to do manual work but cannot find it on their own, the Employment Guarantee Scheme (EGS) work to any person above the age of 18 years normally residing in the village requiring work. The work can be providing anywhere within the district of the applicant's residence though it is provided within eight kms. of the residence of the job-seeker. The guarantee is restricted to only unskilled manual work. Failure to provide work creates a liability on the state to pay an unemployment allowance. The scheme is self targeting in nature and it totally financed by the state government through a special levy. Wages are paid on a piece rate basis, but are so fixed for different items of work that an average person working diligently for seven hours a day will earn an amount equal to the minimum wage prescribed for agricultural labour in that area under the minimum wage act.

The EGS, it is generally agreed had made a somewhat significant impact on the current employment and unemployment situation in rural Maharashtra various evaluation studies show that EGS by itself may not have enabled the

participating households to cross the poverty line, but it has raised income level of participating households to a significant extent. Thus, the programme should be assessed on the basis of the criterion for reducing the severity of poverty rather than the head count incidence of poverty, and on that score, it has contributed significantly as is indicated by a substantial supplementation made by it to the income of the poor households (Datt and Ravillion, 1991; Mahendra Dev, 1992). In addition, it has brought several indirect benefits. These include:

- An upward pressure on agricultural wages
- Creation of rural assets
- Extension of right to work for rural women
- An insurance for the rural workers
- Making employment an entitlement enabling collective political action by the poor and facilitating political mobilization (Mahendra Dev and Ranade, 1996).

Thus, EGS has benefited the poor in terms of employment and income, notwithstanding its defects like leakages to non-poor and prevalence of corruption among officials and contractors.

### **Organised Sector Workers Social Security Provisions**

The provisions of social security for the organized sector works has been in effect from the colonial regime. After Independence, these provisions were further strengthened and made more comprehensive through various legislative measures. Prominent among them are:

- Job security legislation

- Labour welfare legislation
- Minimum wage legislation
- Industrial relations legislation

All these legislations are applied to enterprises in the organized sector only except the minimum wage legislation, which as discussed earlier, applicable for unorganized sector also.

A brief light on the content of these legislations is discussed as: -

### **1. Job Security Legislation**

Objective of this legislation is to provide avenues of employment and also ensuring some degree of stability to those already in employment. According to the 1976 version of original legislation, enterprises employing 300 or more workers must seek government's permission before any enterprise could be closed. The enactment provides compensation to retrenched worker at a specified rate, in case of closure being permitted. Amendment of 1987 further widened the scope of act by making it applicable to firms employing 100 workers. But amendment of 2002 has increased the limit of closure to 1000 workers, affecting 90% of industrial establishment.

### **2. Industrial Relations Legislation**

These legislations pertain to various legislative and other governing trade union activities and the machinery for improving the state of industrial relations. They safeguard the rights of trade unions and provide a framework for maintaining industrial peace through detailed procedures of settlement of industrial disputes.

### **3. Minimum Wage Legislation**

In view of extremely low level of wages in many occupations, the minimum wage act was passed in 1948 and applicable to large number of occupations, as already discussed for un-organised sector. Minimum wages fall within Jurisdiction of state government and some of the progressive ones have extended its application beyond these scheduled types of employment enumerated in the act. The minimum wage level is fixed on the basis of subsistence level requirements and does not ensure beyond a bare minimum.

### **4. Labour Welfare Legislation**

These legislations aim to provide basic decent working conditions, adequate safeguards against disease and some support beyond the working life span. They include a large number of legislative measures in areas covering compensation to workers in case of disability or death, provisions of provident fund/pension to employees, maternity benefits in case of women workers, medical benefits and health insurance; regulation of working conditions such as hours of work and minimum age of workers, etc.

### **5. Social Security vis-à-vis Labour Legislations**

The legislative measures enacted in India have been describe as excessive and hindrance in the growth of employment, by proving to be a impediment in the investment and growth. It has been also argued that these provisions are made only for the 7% of work force -- organized. The generation of most of employment takes place in unorganized sector. So, these legislations are cutting share of unorganized sector, and the very objective of providing social protection to a large majority of workers, get defeated. In the wake of economic reforms, this debate has intensified and it has been argued that

overprotection to a small section of workers is not only inimical to growth of employment, but also goes against social Justice as the number of workers with deplorable conditions of working is increasing. Restrictive provisions in this regard have come under attack, as they supposed to negate the 'exit policy' considered necessary for industrial restructuring and attracting foreign investment. In the era of liberalization, this problem has become Centre stage and Industrialists and investors had frequent demand of some kind 'exit policy' – i.e. right of hiring and firing. In all this provision of 'industrial dispute act', which lay down conditions and procedure of retrenchment of workers have been widely criticized. It is contended that reduction in workforce or closure is extremely difficult even if employer agrees to pay the required compensation to the retrenched worker, and to affect closure in case of enterprises employing more than 100 workers is not generally granted permission by government of states. This issue has generated considerable debate in wake of declining manufacturing sector employment, particularly after 1980's. Scholar like Fallon and Lucas (1991) and Ahluwalia (1992) attributed declining in the manufacturing employment to the faster growth of industrial wages relative to the consumer prices for industrial workers, resulting in a significant long terms reduction of employment. However, popular (1994) argues that though the stringent job security regulations may be one of the reasons for the slower growth of employment, this may not be sole or even major factor in restricting growth in employment in the organized manufacturing sector. An important reason for the decline in the growth of employment seems to be structural; and technological characteristics of industrial growth induced primarily by demand and efficiency considerations.

But, this does not mean that there is no rigidity in the labour market irrespective of its impact on employment, if a degree of protection is rendered

to the labour, it may lead to inflexibility in the labour adjustment required for restructuring the enterprise in interest of competitive efficiency. So the contrast of 'labour welfare vis-à-vis efficacy' has been tardy.

So, employers have taken illegal course in favour of efficiency at labour welfare cost. This includes illegal closure by the employer with nefarious means as not paying electricity bills. Labour is neither paid compensation nor wages, making them victim of the circumstances.

Although union have resisted such moves of closure and retrenchment – both executive and legislative – but in recent years, unions at the enterprise level have generally been founding to be accepting the inevitability of adjustment of workforce in face of globalisation and industrial restructuring. Even government in now-a-days, emphasizing on more flexible labour market, in the interest of competitive efficiency. In the wake of second generation reform, changes in the labour laws are put on the top of agenda. Government policy of 'EXIT' is mainly concerned with making task of retrenchment easier. In the budget of 2001-02, govt. under the 'Industrial Dispute Act' has proposed to raise the limit of 'hiring and firing' from 100 to 1000 persons. Acceptance of this purpose has serious consequences for labour. As 29.9 per cent of total labour force is employed in units having less than 100 workers, while it increases to 75.4 per cent in case of 1000 workers. This act would enable only 24.6 per cent of workers to enjoy job security. More-over, employing of contract labour under 'Contract Labour Act' has been quite facilitated.

No doubt, these changes have cater the needs of industry but in the light of experience at micro level it is further deteriorating quality and hence social security aspect of job. Privatisation on BALCO, ban on strikes, degradation in Trade Union movements shows the alarming bells for the social security of

labour. In this scenario, the most important challenge before the industrial relation system is how to combine competitive efficiency along with genuine interest of workers. If the country has to retain its industrial democracy, a balance has to be struck.

## **6. National Renewal Fund and Labour Redundancies**

An organization called 'Board of Industrial and Financial Reconstruction' (BIFR) has been set down to examine and decide whether sick public and private sector enterprises should be closed down or revived with restructuring. In the public sector enterprises, when all avenues of reviving the unit and maintaining employment are exhausted, then last resort is either closure or retrenchment of labour. Here, to tackle the problem of retrenchment govt. of India has set up a 'National Renewal Fund NRF)' in February 1992. Main motto of 'NRF' has been enable enterprise to pay reasonable separation benefits, and assist the workers rendered redundant by their retraining and redeployment.

NRF has three Components:

- (a) ***The Employment Generation Fund (EGF)***: was meant to provide resource for employment generation scheme in both organized and unorganized sector.
- (b) ***The National Renewal Grand Fund (NRGF)***: was meant for dealing with payments under the voluntary retirement scheme (VRS) and compensation to workers affected by closure/rationalisation resulting from approved rehabilitation scheme both in public and private sector enterprises.

- (c) *Insurance Fund for Employees (IFE)*: to cater compensation needs of employees in future.

NRF has remained a fund for financing VRSs solely in the central public sector undertaking. Only NRGF component of NRF was operationalised and that too partially. This prodded Trade Union in to labeling NRF as the National Retirement Fund.<sup>1</sup> The crucial component of retraining workers (rendered unemployed due to Industrial restructuring) was missing. Unless a proper retraining programme is undertaken, the 'Safety Nets' is bound to disintegrate. It is worth noting that only a quarter of 'VRS' Aviles were retrained and merely 8% could be redeployed (Govt. of India, 1999). Displacement of a large number of workforce through mechanism of VRS, without equipping them with adequate skill and training to re-enter the job market, has resulted in a huge loss of productive human power. Though no major study has been undertaken to follow up the post VRS vocation of labour, a few studies have pointed out that a majority of these redundant workers have joined the unorganized sector as the 'new poor' (Roy Choudhary, 1996). Displaced workers also face income loss – the average income of the re-employed dropped by 44% (Naronha, 1999). Therefore, it is argue that retraining for redeployment of displaced workers should be a social safety net and be assessed in terms of its efficacy in reducing the period of unemployment, enhancing or maintaining the income level of displaced workers and equipping them for sustainable employment in industrial environment which may require different and higher level of skills. Thus, it is necessary to provide retraining well before the workers are out of work. Retraining should be considered an extension of placement efforts.

---

<sup>1</sup> Abhik Ghose, "The Catch' in Safety Net", The Economic Times, Dec. 4, 1995, p.9



Vide a government notification dated July 12, 2000, NRF has been abolished. The Department of public enterprises, in a notification to all PSUs, had made it clear that only those companies which are financially sound and can sustain scheme of VRS on their own surplus resources may devise and implement it. Budgetary support will be provided to the loss making or sick PSUs for implementing the VRS only in case bank credit is not available. Hence VRS is a fiasco, which does not envisage as to how to retrain and absorb the affected workers in the wake of ongoing economic reforms process.

All this makes it extremely desirable to strengthen the retraining activities as a measure of social safety net. At the outset, the focus of retraining should not be just some other skills for employment but enhance core skills and intellectual skills of the workers which make them more flexible, adaptable and useful to the changing pattern of production. As more and more industrial firms undertake restructuring and start operating in leading edge technologies, the requirement of enhancing the core skills and higher order cognitive skills would become more important. This is a basic requirement not only for retraining but even more importantly, for the initial training system. Sustainability of employment will depend on the focus (Chandra, 1999). The labour reform process must stress on retraining and redeployment strategies rather simply, making VRS more attractive for small section of the workforce.

### **Future Need of Existing Programmes and Their Adequacy in the Emerging Scenario**

In the emerging scenario with casualisation, decreased equality, less avenues of employment has become the throne of neck; The objective of minimizing the hardships of the labour during the period of structural adjustment would be best met by ensuring that the overall strategy and

employment generation programmes are suitably revamped and expanded. It's because safety net envisaged for the labour force to cope with the hardships of new economic policies did not offer anything particular new but is linked to the poverty alleviation strategy. The casual and unorganized sector workforce is so larger, that poverty, unemployment, underemployment removal would not be feasibly only through direct government expenditure only with liberalization, there is a sustainable attempt to reduce expenditure, leaving the affair only on market forces. At any cost, at least funds must not be curtailed. Such expenditure should be enhanced to the extent the resources permit and the coverage of existing programmes should be substantially expanded. But the extent to which adverse effect of structural adjustment on the poor mitigated and poverty could generally be alleviated, would primarily depend up on the pace at which generation of productive employment opportunities is accelerated. This, in turn, all would depend up on how quickly the economy can attain a high sustainable growth rate. Fortunately growth of economy, fortunately, has been over 6% during the last few years, with India is being able to absorb the shock of adjustment. But this is at the cost of new developing trends in the labour market, like rise in casualisation and informalisation of economy, which are disturbing. The impact of reforms on the poverty level has not be positive, it continue to be high and hence there is a need for the continuation of direct measures for poverty alleviation and employment generation. The strategy adopted for trackling the issue of poverty and unemployment is a two track one in which the benefits of normal growth process are supplemented by social safety needs. This seems inescapable as long as high level of poverty persists.

As Bhagwati (1988) points out, the strategy for poverty alleviation is bound to be a mixed strategy involving some considerations of direct and

indirect approaches. A question is always rises about the relative efficacy of two tracks in this strategy. Special employment programmes like JRY claim invertible resources, which could otherwise have contributed to the growth process. A study on cost and benefits of the rural works programme in India has indicated that the benefits accruing from such employment programmes contribute directly to the growth process, there by reducing the force of the 'growth foregone' argument.

The importance of these programmes also lies in their contribution in holding the wage rate and creating some infrastructure in the rural areas, thereby adding to the existing stock of infrastructure every year. In wage employment programmes, the emphasis has been more on employment creation than on the building of infrastructure of a durable or productive type. Although in the recent years there have been some changes in the approach to infrastructure building, emphasis on creation of durable infrastructure is still rather weak. The creation of infrastructure, particularly minor irrigation, watershed development and roads will enhance agriculture on a more sustainable basis. In the face of labour market, this kind of safety net-mechanism seems to be desired, but its linkage with growth process is also essential.

However, an all out effort is needed to streamline and strengthen the delivery mechanism of anti poverty and employment programmes so as to improve their better targeting and effectiveness. Often the absence of proper coordination among different programmes has been pointed out as an important reason behind the poor performance of these programmes. The government's effort in merging several programmes may be an attempt to remove this Lacuna to some extent. Another important reason behind the unsatisfactory

performance of these anti-poverty and special employment programmes has been the lack of people's participation. It has been often said that the approach in implementing these programmes seems to be more technocratic and top down with poor delivery system.

However, an important landmark in 1990s is the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the constitution bringing about significant decentralization by providing for a system of local govt. based on mandatory elections. This provides an opportunity to strengthen the panchayats to effectively implement the various anti-poverty employment schemes. The panchayats must serve as the principle agencies of programme implementation.

Implementation experience of such schemes in West Bengal and Karnataka has shown that there is enormous potential in the regard. However, the success factor through decentralization depends to a large extent on whether acute inequalities in endowments have been eliminated. In such a setting, the panchayats would be free from domination of rich and powerful landlords and would be more responsive to the needs of rural poor. Further, careful consideration should be given to concentrate these programmes in the more depressed regions and states where poverty is endemic rather than spread them thinly in all areas of the country. Some agriculturally developed states and districts have very little use of the rural works programmes. They have, though, a low incidence of poverty, and the openly educated unemployed, who are unlikely to opt for work in a wage employment programme, mainly accounts for relatively high unemployment rates in these areas

## **Social Security Needs and Labour Market Characteristics**

Having a framework of preceding section, certain characteristics of India labour market are significant in the context of providing social and economic security to the workers. These characteristics are

- Employment – unemployment scenario is not a dichotomous one with organized employment on one hand and open, long term unemployment on the other. Most people in India are employed as per the time-disposition criterion.
- Though most people are employed, much of the employment is not adequate productive or remunerative. Hence a major segment of working class is poor.
- Working class is poor because employment is largely concentrated in the unorganized sector. Unorganised accounts for 93% of total work force of the country. While workers in the organized sector, about 7%, are covered by various social security provisions, the unorganized sector workers lack basic securities related to income and employment. Moreover, a large part of unorganized constitute home based workers, with no clear cut employer-employee relationship makes insecurity of income an inherent feature of the unorganized sector.
- Most of employment in India suffers from the Income insecurity.
- There is discrimination in labour market. Significant is the gender based discrimination women have a lower probability of employment and earning on par with men in the same kind of work, even with equal education and same level of skill.

- There are variations across states too. There are relatively advanced states in socio-economic terms but having high unemployment rates, and the states that are backward in social Index show low levels of unemployment. The pre-capitalist relations in the latter category of states can be explained in terms of their low level of unemployment, but is accompanied by low level of earning, high level of underemployment and less productive self employment which pauses impediments to skill acquisition. In the case of farmer category of states, more skilled labourers are present for the non form sector but deterred away due to the unacceptable wage rates.
- A large section of people are yet to be integrated or are very loosely connected with the mainstream consisting mainly of independent producers / service providers, both in rural and urban areas, such as pavement – dwellers and rag-pickers in urban areas, landless and very small peasants in rural areas, forest dwellers, etc. These people have limited market contacts and high degree of uncertainty in their production conditions and hence their livelihood base.

So it can be discerned from the above discussion that these characteristics are important to understand the social security needs of workers belonging to various categories and sectors. Moreover, it necessitates strategies at different levels to address the vulnerabilities of various categories of labour.

### **Alternative Scenario for Social Security**

Under this section, a light is thrown on how the social security needs specific to each category, can be ensured in changing globalising phenomenon.

## **1. Irregular Wage Workers**

Contract and casual workers comes in this category. These workers suffer from high levels of uncertainty in their income and employment. Though most of them are covered by the minimum wage regulations and provisions like welfare funds are available for certain categories of workers, implementation is very poor. More importantly, there is no assurance of any specified minimum income. Therefore, for such workers employment security implies a mechanism of ensuring minimum income and employment through labour market and other interventions. The proposition of formulating national minimum wage in the country, has been withheld due to disagreement raised from many quarters. Their main contention is that it would increase the rigidity in the labour market. But experiences show, at least at the state level, that effective implementation of minimum wage has many other positive impacts and it is an effective tool in reducing poverty. There should be a concerted policy advocacy to bring this issue to the center stage of debates and further for implementation.

Equally important is the programme for generating supplementary employment and income for these workers. The role of direct poverty alleviation and employment generation programmes need to be strengthened to generate supplementary employment and income. Beyond these employment and income security needs also, as many micro level experiences show, there is a large scale need of other social security measures such as health security among these workers.

## **2. Regular Salaried or Regular Wage Workers**

These workers are largely in organized sector, either in public, government or private sectors. With regard to their social security needs two issues are important.

- a) First issue is related to the National Renewal Fund. The NRF has not so far been able to address the problem of labour redundancy and retrenchment properly. It needs to incorporate retaining and redeployment along with counselling as integral to its agenda.
- b) The recent changes in the organized sector resulting in the employment of a large number of contract and temporary workers, which is likely to increase significantly after the initiation of labour market reforms in the coming years. Although these workers are technically in the organized sector, they may be only marginally better off than such workers in the unorganized sector. The govt. enforcement machinery and trade unions have the responsibilities to safeguard the interest of such vulnerable workers. Although the employers need some kind of flexibility in adjusting the workforce in the face of global competition, it has to be by way of innovatively combining efficiency with the interest of labour in the India industrial relation system. In a poor country like India, adequate separation benefits to workers should be assured. While selective relaxation may be brought in case of Job security regulation, there is a need to make minimum wages even more comprehensive for the organized sector workers.



### **3. Self Employed Workers**

Provision of social security for a larger number of self employed people, especially those engaged in household and micro enterprise poses a greater challenge. Largely unreported and faced with the uncertainties of the market their security needs involve adequate access to inputs, services and marketing facilities. A large number of workers in the category also need security of work premises as well as legal recognition of their activity. For them, social and economic security essentially implies income security through various interventions -- fiscal, labour market and organization. Increasing the earning of such workers is crucial for securing a minimum income level, as with regular wage employment shrinking the educated unemployed have to find job opportunities as self employed and these are in the informal sector or outside the organized sector. There is a need for creating a more supportive environment for self employment, both in rural and urban areas. Earning depend on the productivity of the workers, for which technology, infrastructure, capital formation and skills are of importance. The level of skill acquired is related to a basic level of education and therefore, increase in literacy and school enrolment will have to aim for their long term impact. Similarly, support to informal sectors in urban areas through access of credit and technology are crucial for raising the productivity of the urban self employed and casual workers.

### **4. Women Workers**

They demand special attention in terms of their social security needs. Gender Discrimination is one of the very important issues concerning the women workers in the labour market. Effective policy amendments and

interventions should be there to address this issue. There exists substantial wage disparity between male and females. On a priority bases, there should be efforts to fill the chasm, as increased income has more welfare effect on the society than male. Further, as the 'educated component' of female unemployment has exceeded that of male employment in urban areas, and the unemployment rates for urban females, educated or otherwise have not come down since 1993, the strategy for employment creation has to be around to improving the access of women to education and skills which are relevant and responsive to the needs of the economy. Women's specific needs such as maternity benefits, childcare, etc. in the unorganized sector are yet to gain attention in the discourse on social security. And, a lion' share of women workers are in the unorganized sector. Gender sensitive policies need to be implemented towards this, to increase the productivity of women as well as to increase their work participation in the economy.

## **5. Independent Producers / Service Providers**

Faced with acute uncertainties with respect to their production, social security for them is essentially their livelihood security itself. Further, as they are yet to be integrated to the market, they are more vulnerable to uncertainties of nature such as drought, flood, crop less, etc., as well as to the incursions of market forces. Marginal farmers, forest dwellers, pavement dwellers in urban slum, etc., are some examples of such workers. These workers need livelihood security through insurance schemes and access to credit.

## **Conclusions**

Though all above mentioned dimensions and issues are important for formulating a comprehensive social and economic security system in India, the

most needed security across the category of workers is of income and employment. Sectors and occupations should be identified for employment potential and efforts should be made to strengthen them. It is the informal sector both in rural and urban areas but mostly in the latter where most of employment is going to be created. This will be both in manufacturing and services, but trend shows that service sector has a much higher employment potential than manufacturing. A well-planned support system should be provided for the growth of this sector considering all the key inputs such as marketing, credit, training, upgradation of technology, etc. for enhancing the capabilities of vulnerable workers in the informal sector, a proper blend of education and training is extremely desirable. Experience across the world shows that skill development and training are the most important factors in increasing the employability of the workforce in the wake of ongoing globalization. Further, in any scheme of a comprehensive socio-economic security, policies with regard to primary health and elementary education are very important. These are crucial in the development of human resource and a workforce in the country. They can considerably lower the requirements of financial burden on the socio-economic security in future if proper policies are implemented at present. More importantly, for any positive impact, long term and short term interventions need to be planned with adequate linkages amongst the interventions. Provisioning of quality health care and primary education along with vocational training and provisions for institutional mechanisms for skill upgradation are to be prioritized as long term and short term initiatives. At the risk of repetition, it needs to be emphasised that effective implementation of minimum wages and its periodic upward revision are urgently required to ensure the basic security of income to the workers to sail through the trouble tides of globalization.

## **Chapter 4**

### **POLICY ISSUES**

#### **Introduction**

As clear from the overview of previous chapters, there has been an expansion in economic activity over the period of liberalisation. This expansion has been associated with some key elements of structural change. There has been a marked shift in economic activity away from agriculture to services and away from public sector to the private sector. The increased share in value added in these sectors has increased employment in these areas but the rise in employment has been less in the form of regular salaried employment and more in the form of casual and self-employment. Ever though the private sector has increased employment in the last decade or so this increase has not been enough to compensate for the loss of jobs taking place in the organized public sector. Further, If we were to look at data in disaggregated form then increase in employment in the private sector has taken place in the relatively smaller enterprises with the large enterprises seeing a fall in their aggregate employment. The factories with less than 200 persons employed nearly one third of total employees until the mid 1980s, since then it had been going up and it stood up at 43% in 1997-98. In contrast factories employing more than 1000 employees amounted to over 43% of total work force till the mid eighties and declined to 24.6% in end of 90s.

These structural shifts in value added and employment have introduced considerable uncertainty into organized sector performance. These uncertainties have created a demand for changes in the framework of labour

market institutions. Through the sixties and seventies employment in the organized sector was governed by a pair of “Implicit Contracts”.

First, the government granted protection to employer in the product markets through trade restrictions, entry barriers i.e. licensing etc. Since market was protected and often price competition was limited in domestic market and technology across industries was regulated to be similar, further prices could be raised to pass on, the costs to consumers. A related aspect was that promoters and entrepreneurs were also protected from losing control over their companies since they were financed by large public institutional investment that discouraged hostile take over. This implicit contract with industry laid the basis for the second contract. It was expected that employer in turn would protect employment levels. This arrangement led to a structure of slow growth in output and employment as demand growth was constrained due to prices, there were restrictions on supply, and employment growth was constrained by the implicit guarantee of a “Job for life”.

The interventionist regimes of sixties and seventies have created a complex web of labour legislations. Thus on one hand there is extensive framework seeking to provide protection and security of tenure in large organized sector, there is virtual vacuum in similar efforts in the informal or small sectors. Further the focus of these efforts on employment security rather than a broader concern for social security in general has led to the argument that this has promoted rigidity in employer-employee relations and has tended to detract from increasing employment in the organized sector with liberalization these contracts were undermined due to opening of economy to foreign trade and by relaxation of licensing and price control.

This aggravated the situation leading to both the problem of industrial sickness, and slow or even negative growth in the organized employment. It would be overstating the case if we were to attribute the lack of flexibility in organized employment entirely to labour legislations. A good part of the explanation has also to do with the rigidities in other dimensions of Industrial and economic policies. In Anant & Goswami<sup>1</sup> (1995) present a detailed case study from India, which brings out the interplay of rigidities in banking, land and labour laws, Industrial licensing leading to industrial sickness. The combination of these effects has led to a wide gap between employers and employees with the former group raising issues of competitiveness and the need for trade unions to adapt to new policies, while employee associations being concerned with the loss of rights.

This growing conflict between concerns for competitiveness and those for welfare led the second national commission on labour (NCL) to call for a re-examination of the basic framework of governance underlying the labour market. National Labour Commission was set up under Chairmanship of 'Mr Ravidra Verma'. It had following terms of reference:

- (a) To suggest rationalization of existing laws relating to labour in the organized sector, and
- (b) To suggest an "UMBRELLA" legislation for ensuring a minimum level of protection to the workers in the unorganized sector.

Labour's welfare can be ensured by the fundamental rights, while only a competitive industry can sustain in liberalization. Both concepts - competition and welfare – are in contrast to each other. It is with this concept in mind that

---

<sup>1</sup> Anant and Goswami: Getting everything wrong: India's policy regarding sick firms, in Dilip Mukherjee (ed.). Essays in industrial policy OUP 1995.

an attempt is made, hereby, to examine the status of the fundamental principles and rights at works in India both in terms of their ability to promote further growth and development for ensuring a minimum level of protection and as a means to bridge gulfs that has arisen in our policy discourse due to liberalization tendencies – as discussed in previous chapters.

### **Fundamental Principles and Rights at Work vs. Competitive Policy**

The second National commission on labour (NCL) took in to account the fundamental rights at work as adopted by ILO in 1988. These rights are considered under the review and suggestion of umbrella legislation these are: -

- (a) Freedom of Association and the effective recognition of rights to collective bargaining.
- (b) The elimination of all forms of forced or compulsory labour.
- (c) The effective abolition of child labour.
- (d) Elimination of discrimination in respect of employment and occupation.

The primary Goal of ILO is to promote productive and decent work in conditions of freedom, equity, security and human dignity. The primary goal is not just creation of Jobs but creation of jobs of acceptable quality. These Fundamental Principal Rights (FPR) find their place as fundamental rights in the Indian constitution<sup>2</sup> also.

---

<sup>2</sup> Article 19(1)(c) : Guarantees the right to form associations. However there is no concomitant right to collective bargaining or the right to strike.

Article 14-16: Prohibit discrimination on grounds of caste, religion or sex.

Article 24: Prohibit a child below are 14 years working in hazardous employment.

Article 23: Prohibit forced labour or beggar.

The presence of these FRPs in the constitution and several policy pronouncements indicates the consensus that emerged in India during the time of framing of the constitution (1950). The existence of these rights which may inhere in an individual or groups of individuals often gets translated as duties on either the state or the employer or the worker to ensure the observance of these rights. In examining whether these rights could hamper or conflict with another Fundamental Rights of all citizens to pursue any business or occupation, the views of the court has been that these rights constitute a very minimum which no businessman could be allowed to flout.<sup>3</sup> Thus no individual employer is given the liberty of waiver of workers fundamental rights to work in exploitative conditions and no business has the right to continue, if he cannot pay the statutory minimum wage. It would also indicate that policy makers, trade unions and employers have not taken the position that rights are luxury goods which employers or workman in India cannot afford.

Thus, Globalization has made rapid changes in the world of work. Capital market crises arising out of increased mobility of financial capital have meant adjustment process, which are having significant impact on labour market. Loss of jobs or unemployment in well functioning economies with effective safety nets is not so frightening a prospect as it is in economies like Indian labour class, which exist at the marginal of survival and the loss of earning opportunities may threaten their very physical existence. It is in this backdrop that there is need for discussion of some remedy framework or regulation, which might be able to protect the basic welfare of labour in this highly competitive economy.

---

<sup>3</sup> Supreme Court of India, "Crown Aluminium Works V. Their Workmen 1958".



In Indian context this framework exists in form of Fundamental Principles. An attempt is made in this concluding chapter to explain the possible balance in between 'competition vs. welfare' with help of Fundamental Principles as introduced above.

### **The Fundamental Principles**

The degree of similarity between the FPRs and Indian policies and legislation is striking. The acceptance of these constitutional and legal principles within the country and the rejection of notion that ensuring these rights at work in any way would hamper economic growth in the macro sense or the sustainable growth of the firm have been reiterated time and again in India. Beginning with independence there had been a consensus between state, industry and trade unions about the role that the employers and trade union organizations would play in planned economic growth. The idea that the individual interest would have to be balanced with broader social interest has been a central aspect of this consensus. The constitutional scheme too reflects this and rights contained in the constitution are always read subject to broader principles of social interest, on the grounds that such growth alone would be sustainable in the long run.

So in the Indian context, labour rights in this highly competitive environment can be ensured by the fundamental rights proper and effective implementation. A detailed discussion on the way how these fundamental rights can ensure labour welfare vis-à-vis competitive policy is initiated here onwards: -

## **Freedom of Association and Effective Recognition of Rights to Collective Bargaining**

The recognition of the right to freedom of association and collective bargaining gives voice and standing to the workers in the work place voice, and the resultant sense of participation is important when critical decisions affecting the workplace are taken collective bargaining provides the forum where such negotiations can take place. Taken in the backdrop of respect for other FPRs, some of doubts and misgivings associated with flexibility and restructuring can be overcome through negotiations.

In the Indian context, such negotiations take place at tripartite forums such as Indian labour conference as well as bilateral negotiations at the level of industry or establishment. But these are inadequate substitutes for a formal framework for effective collective bargaining. Respect for this FPR ensures greater safety and health concern, with better environment standard at the level of firm.

While India has ratified Convention No. 11 that mandates the same right of association to rural and industrial workers, it has yet do ratify convention No 87 and 88. Despite of official policy of granting the right to associate to all categories of workers, level of trade unionization are rare among those in informal and agricultural sector. Even in the sectors where there is higher trade union density, the contract and casual labour employed in large establishment are often not unionised. The rate of unionization has also been adversely affected due to process of business outsourcing, and towards greater informalisation even in the formal sector of economy. Growth of many

independent trade unions and sub-contracting have important implications for the trade union movement in country.

There is, in the last decade or so, a trend of greater decentralization of collective bargaining in certain important sectors and it had been noted that this trend is meant to reduce some of the critical functions of trade unions. The requirement of social dialogue during times of restructuring calls for stronger presence of trade unions. It's only through channel of social dialogues that workers and employers can articulate their concerns paving a way for smooth transition. Since 1992 many companies have resorted to downsizing more than 800,000 workers have lost their jobs as a result of restructuring in the organized sector alone, around 300,000 units are reported to be sick and on the verge of closure [NCL para 2.283;4.328(2002)]. Reorganizing HRD used to be major role of firms which have gone for restructuring communicating the need for restructuring and providing a forum where concerns could be articulated seems to have been central in case of Vlotas Ltd., a major organization in Indian private sector.<sup>4</sup> For recruiting and retaining the right people, a highly democratic management structure where the workers are encouraged to express their opinions, is must.<sup>5</sup>

Turning to unorganized sector, as told earlier, the NCL emphasis that the umbrella legislation proposed for the informal and unorganized sector must be recognized and protect all types of workers regardless of Industry, occupation and work status. One of the limitations to wider unionization has been requirement of trade union Act 1926: "member of trade union must be employed in a 'Trade or Industry.'"

---

<sup>4</sup> Case study in " Human Resource Development for Adjustment at enterprise level, ILO1999" ed. by Aneeta Madhok, C.S. Venkata Raman.

<sup>5</sup> See Nikolai Rugousky and Emily Sims, "Corporate success through people".

The NCL recommends the de-linking of this requirement in order that many activities / occupations which at present do not fall under the definition of 'Industry' under the labour laws could be covered. There is also a need to de-link the need to be 'employed' as a prerequisite for forming a trade union in order that self employed workers can freely form trade unions'.<sup>6</sup> The NCL suggests that, other forms of organizations such as cooperatives may also be promoted by the state among workers in the unorganized/informal sector, particularly women workers. Such an attempt had been performed in state of Gujarat, by setting up a scheme of 'Honorary Rural Organizers' following which large numbers of rural workers had been organised.<sup>7</sup> There are manifold benefits of forming organizations among vulnerable sections. Apart from forming self help group that can take advantage of development schemes, trade unions and co-operatives formed can generate employment and grant greater visibility to this section of workers. The particular advantage of forming organization of informal sector workers is that the work done by the on piece rate basis has become more visible. The existing example of such organization is 'SEWA' which has been successful in getting minimum wage rate fixed on a piece rate basis for certain employment as such beedi rolling and garment making, in informal sector. For these activities previously minimum wages were not notified under the minimum wage Act 1948.<sup>8</sup>

The need to expand the right of association in the informal sector can also be addressed by highlighting the linkages between the formal and informal

---

<sup>6</sup> The formal requirement is that workmen forming a trade to be 'employed in a trade or industry. At the same time 'self employed women's association (SEWA)' is a registered trade union. There is a need for trade unions act 1920 to explicitly recognize that self employed' in economic activity.

<sup>7</sup> Indira Hirway and Joseph Abraham, "organizing rural workers: The Gujarat Government experience (1990)".

<sup>8</sup> Jeemolunni "wages and employment in unorganized sector: issue in wage policy, Amitabh kundu and Alakh N. Sharma (eds. Informal sector in India: perspective and policies (2001).

sector. In order to deal with the increasing use of contract labour and outsourcing, the contract labour act 1970 creates the framework for regulating the legal relationship between the user enterprise, the contractor and contract labour. The Act lays down minimum condition under which contract labour may be employed. The NCL has recommended that barring 'core' activities, contract labour may be used in all other aspects of the establishment.<sup>9</sup>

There is linkage in between FPR dealing with rights of association and principles dealing with discrimination. There is no provision in the Indian laws which prohibits / a trade union from discriminations on the ground of sex, religion, caste or region and preventing a worker from becoming a member of the union. That's why there is a phenomenon of caste based unions in India particularly among govt. employees, which have as their explicit policy admitting workers of only certain castes. The justification for it given to be the discrimination faced by the above said member at the workplace and the need to address their sectoral demands. In India official policy has been to encourage industry wise union rather than occupation based. Despite this Policy, trade unions among certain occupations such as pilots, Loco-drivers continued to operate. The inability or refusal of general trade unions to deal with issues of caste discrimination leads to such sectional trade unions being formed.

In India, government employees have the right to association, but they are not in position to join the trade unions. Government employees (with the exception of those in the armed forces and to a limited extent police) nevertheless enjoy the constitutional right of association, with the result that most govt. employees are members of associations which have ever not registered as trade unions under the trade union act 1926.

---

<sup>9</sup> The act at present allows the use of contract labour to be abolished by the appropriate government in perennial activities.

Collective bargaining has been one of instruments for settling employer-employee relations in India. However, role of state has played a dominant role in labour relation over the past decades. The legal framework has contributed to the primacy given to the labour Judiciary for settling all disputes relating to rights and interests. Yet on occasions the policy makers and courts also have indicated the importance of collective bargaining over the settlement arrived in the course of adjudication by the state. Even Supreme Court has endorsed the system of settlement of disputes through collective bargaining as the preferred mode of settlement on the grounds that it is best guarantee of Industrial peace.<sup>10</sup>

For the workers in the unorganized sector, the difficulties of engaging in collective bargaining are many. Absence of a fixed employer, shift from status of self employed to occasional spells of employment and unemployment compound the problem. The NCL has suggested in its draft law on the unorganized sector that there be tripartite board created for workers in this sector. These boards will register unorganized sector workers and regulate their employment relations. India has the experience of such boards among the Dockworkers, manual workers (mathadi and hamal workers) of Maharashtra and head load workers of Kerala. Collective bargaining could then be a viable option between the workers unions and the boards on the other hand.

One of the key objections of India to ratification of convention No. 87 has been the special status and protection afforded to the government employees that precludes them from forming trade unions alongside other workers and also prohibits their right to strike. Yet there are large numbers of associations of govt. employees at all levels even though there are some curbs

---

<sup>10</sup> In one case court held, "the need for industrial peace and harmony when a union backed by a large majority of workers has accepted a settlement in the course of collective bargaining has impelled us not to interfere with settlement". *Herbertsons Ltd. v. workmen of Herbertson Ltd.* AIR 1977 SC 322.

on their civil and political rights. The terms and conditions of employment of govt. employees are unilaterally determined by the govt. and collective bargaining is not available to any section of govt. employees. The forum of joint consultative machinery available to certain categories of ministerial employees has been held to be an inadequate substitute for the process of collective bargaining in past cases before the committee on freedom of Association.<sup>11</sup>

Given the large number of government employees who are in ministries where privatization plans are afoot, it may be necessary to introduce broader negotiations and full-fledged social dialogue by providing 'voice' to the affected govt. employees.

Hence in this section, we find a blend of many aspects. On one hand, due to constitutional obligations there is considerable freedom to organize and express oneself. Electoral democracy in fact implies that such voices carry weight. On the other hand, absence of effective institutions and forum for meaningful and binding collective bargaining implies that there is considerable discordance and barriers to restructuring. Further the limited reach of mechanisms for representation and voice in the rural and informal sector has meant that the ability to influence policy formulation and more importantly their implementation has been limited part of problem has been with the excessive modern sector orientation in traditional trade unions. Though, here organizations like SEWA has been an illuminating exception, reaching in to the

---

<sup>11</sup> The employees covered by the joint consultative machinery are not those who can be considered as 'public servants engaged in administration of state' according to convention No 98 nor they are in position of 'policy making or managerial or employees whose duties are of highly confidential nature' as described by convention No. 151. The tripartite consultations at national level in the form of Indian labour conference or deliberations of standing labour committee may be regarded as a form of collective bargaining in India.

informal sector will require different approaches and expectations on the part of workers organizations.

**2. Freedom Form Forced Labour:** - Forced labour can never be justified even where it might be economically profitable in the short run. The social cost of continuing with system of forced labour is too high to be countenanced. The presence of forced labour, in any form as bonded labour, coercive labour or unpaid prison labour, is closely linked to the socio-economic and political climate in the country. Continuing with forced labour would belie commitment to FPRs and ensuring decent work on the part of employer.

Indian Constitution prohibits forced labour<sup>12</sup>, while the ‘Bonded Labour System (Abolition) Act 1976’ abolishes bonded labour. In addition there are numbers of specific legislation at the state level identifying specific practices with forced or bonded labour and prohibiting them. Indian courts have made the linkage between forced labour, minimum wages and decent work.

The court has held that any one who works for less than the statutory minimum wage, if forced to do so out of poverty, would constitute a case of forced labour, leading to an infringement at his/her fundamental rights. This is an instance of forced labour that is broader than what is at present conceived of in convention number 29 and 105. The court in India has rejected the idea that forced or compulsory labour would only cover labour that is extracted without payment of remuneration. Instead even if paid, the work would fall under forced labour or beggar it has done under compulsion. The courts have stated

---

<sup>12</sup> Article 23 of the constitution states:

- i. Traffic in human beings and beggar and other similar forms of forced labour are prohibited and any contravention of this provision shall be an offence punishable in accordance with a law.
- ii. Nothing in this article shall prevent the state from imposing compulsory service for public purpose, and in imposing such service the state shall not make any discrimination on grounds of religion, race, caste or class or any of them.



that even specific performance of a contract of service against the wishes of an employee may amount to forced labour. Further the court has stated: where a person provides labour or service to another for remuneration which is less than the minimum wage, the labour or service provided by him clearly falls within the scope and ambit of the words 'forced labour' under article 23. Such a person would be entitled to come to court for enforcement of his fundamental right under article 23.<sup>13</sup>

Yet the number of persons said to be in the forced or bonded labour does not appear to include these who are paid at rates below minimum wages. Extending the notion of forced labour on the basis of minimum wage has implications for women workers in the informal sector. There are many employments where minimum wages have not been notified, because the minimum requirement of 1000 workers is not met.<sup>14</sup>

As noted above, work done by women in the unorganized sector is typically invisible and wages have not been fixed for these employments, and even where they have been fixed it is fixed on a time rate basis while many women work on a piece rate basis and have to work very long hours to earn the basic time rated minimum wage.<sup>15</sup>

Linking minimum wages to the concept of basic needs has meant that minimum wages should have been fixed on some uniform region wide basis. This was recommended by Indian labour conference in its session in 1958. But in reality, wages are not region specific but industry or even firm specific minimum wages are specified by industry and in fact even more narrowly by

---

<sup>13</sup> People's union for Democratic Rights vs. Union of India, 1982, ILLJ 454 (SC).

<sup>14</sup> Under the minimum wages act, minimum wages are notified only for those employments where at least a 1000 workers are employed and which are included in the schedule to the act.

<sup>15</sup> See Jeemol Unni above.

activity in each industry. This implies considerable variation across minimum wages. In 1996, a report published by ILO SAAT<sup>16</sup> pointed out that wages were often below poverty line wages. Limited evidence on implementation also suggests that there is considerable evasion of these norms. These weaknesses of the minimum wage system have been pointed out by other agencies as well, and have repeatedly led to suggestions for improvement in enforcement.

The existence of bonded labour is also linked with prevalence of child labour. There are linkages between child labour and situation of bondage in India. Eradication of child labour would also require efforts at putting end to the bonded labour would also require efforts at putting end to the bonded labour also. A small advance paid to them or their parents usually proves sufficient to make a child work as bonded labour. Tamil Nadu's firework factories have many such type of child labour, who are, in fact, bonded labour. Same linkages exist between migrant and bonded labour in India. The practice of a small advance being paid by the contractor at recruitment time is often used to keep migrant labour as bonded.

So, in concluding this section, we find that existence of bonded labour, forced labour and trafficking in persons is linked to the extreme poverty confronting victims of bondage. Preventing freed bonding labourers from sliding back in to debt, bondage is a challenge facing the Administration and Civil Society. Given the fact that in India bonded labour affects those who are victims of caste based oppression and are often the lowest in caste hierarchy, preventing bonded labour would require a parallel campaign against caste based discrimination.

---

<sup>16</sup> Economic Reforms and Labour Policies in India. ISBN 92-2-109245-3, ILO SAAT.

## **Freedom from Discrimination**

The concept of freedom from discrimination in FPRs is mainly based on the assumption that we are a plural society comprising many identities. A diverse work force is deemed to be in everybody's best business interest. Diversifying the workforce allows the firm to reach to a more diverse customer base. Affirmative action plans were traditionally used to ensure diversity in workplace. In a diverse country as India with a plurality of identities, non discrimination and ensuring diversity may become essential in a rapidly globalizing world.

Under the Indian constitutional framework discrimination on the grounds of sex, religion, caste, race, place of birth or language is prohibited. In respect of employment, the state may not discriminate on some of these grounds.<sup>17</sup> In labour market caste and gender based discrimination has been more prevalent. In public employment, attention has been imparted for this, and quota based reservations of seats have been provided for certain castes, tribes, women and persons with disability. But this quota based affirmative action has not been resorted to for minority groups based on religion or language. However, this affirmative action is not applicable to the private sector because of limited scope of constitutional provisions. Although, 'equal remuneration Act 1976' forbids private employer in discrimination at the time of recruitment and subsequent promotion on grounds of sex, yet effective implication is still lagging. Also there is no provision even for stopping discrimination on religion or race accounts.

---

<sup>17</sup> The disability Act of 1996 prohibits an employer from discriminating on grounds of disability.

Hence there is clearly a need for a comprehensive law dealing with discrimination by govt. and public and private employers. Alternatively, the existing law dealing with employer – employee relations in India (which binds the private sector), the industrial dispute Act 1947, can be suitably modified. Discrimination on the grounds mentioned in convention No III – Discrimination (employment occupation) convention – by an employer or a trade union can be treated as unfair labour practices under the act.

The question of whether prohibiting night work for women is discriminatory also needs to be assessed. The Indian constitution received that the stat may make special provisions for women and children on the basis of this provision, affirmative action taken in labour of women is not in the violation of the provision of the constitution that the state shall not discriminate against any citizen on the ground, only of religion, race, caste, sex, place of birth or any of them. As a result, if the ban on night work by women is seen as a case of affirmative action towards women or a protective legislation to benefit women, such legislation cannot be held to be discriminatory solely on the basis of sex, since positive discrimination on the grounds of sex is permitted to protect women.

The NCL appointed by the Government of India to look in to several labour questions has recommended that the ban on night work by women can be lifted if the number of women workers in a shift in an establishment is not less than five, and if the management is able to provide satisfactory arrangements for their transport, safety and rest after or before shift hours.<sup>18</sup>

---

<sup>18</sup> Report of NCL (2002) at para 6.121 (d). Unlike in countries in Europe who have denounced convention Nos. 41 and 89 on the basis that women do not require protection except in case of pregnancy and maternity, trade unions in India argue that there is need to prohibit night work of women. Since factories employing women are in export sector, to have a third shift rather than assessment of women workers real position in workplace.

The question of equal pay for work of equal value has received greater attention in India in recent years. The ILO committee of experts has identified that the equal pay for 'work of same or similar nature' laid down in the equal remuneration act is not sufficient compliance with convention No. 100 – Equal Remuneration Convention. The need to carry out detailed studies in order to assess the comparable worth of different Jobs is necessary. Gender segregation of jobs resulting in women's job being valued at lower levels need to be tackled. There are indications that often women's jobs in agricultural operations are treated as unskilled and therefore lower paid under the minimum wage act.

In conclusion, while legal framework does exist for equal treatment there are severe gaps in its enforcement and application. The discussion above indicates that while India has a framework of non-discrimination in place. Its implementation particularly in the private sector has been weak. There is clear need to make it more universal.

### **Freedom from Child Labour**

Current international attention to the existence of child labour in India is closely linked to international concern for human rights of all including the rights of the child. There is no economic advantage in hiring the child labour, the social costs in terms of adverse public image of putting child to work are indeed high. Interaction and National Public opinion is clear that in most cases engaging child labour is antithetical to the notion of a rights based society.

The legislation in India does not envisage a complete prohibition of child labour in all forms. The constitution calls for banning of child work in factories, mines and work that is hazardous in nature Child Labour Act of

1986, prohibits child labour in certain occupations and processes considered hazardous for children under 14 years of age. Yet several activities that could be considered hazardous such as domestic work have not been listed on a case-by-case basis the courts have prohibited certain activities considered hazardous by the Judiciary and thereby expanded the list of activities where children under 14 cannot be employed. The constitutional prohibition to employ or permit a child to work in hazardous employment could prohibit a child from doing this work even on unpaid family farms or in schools, though these are areas specifically exempt under the legislation.

The children who are employed are often paid wages far lower than the minimum wages with absolutely no benefits. Bonded labour is a big challenge for the policy makers. Bonded labour are compelled to work for employers in return for a small middleman. The children are paid small pititances which re below the minimum wages and can never be free of the employer unless the initial advance is repaid – which given the level of poverty is virtually impossible.

According to 1991 census there were 297 million persons in age group 0-14 in India. Of this number, children in the school going age group of 5-14 years comprised 203 millions. According to estimates this number should have increased and there should be around 330 million children of school going age in 2001. The evidence cited earlier on LFPR reveals a positive trend with regard to the employment of children. The LFPR of children in the 5 to 9 age group and 10 to 14 groups has fallen for both males and females in urban and rural areas. The LFPR is lower in urban areas to start with and has fallen quite sharply in the periods between 1993 and 1999. This decline is accompanied by a rise in the student population ratios in these age groups. Thus indicating that

withdrawal from the Labour Force is accompanied by the increase in school attendance. This may be in part due to the success of income supplements and nutrition programmes linked to the school participation as discussed below. Some people are of the opinion that all those children of the school going age group who are not currently enrolled in schools are, in fact, engaged in child labour. Thus according to one view, the extent of child labour is in the order of little more than 100 million children who are currently not enrolled in some form of primary education. Yet it is quite possible that a substantial number are neither in school nor at work. Activities such as collection of firewoods and doing household work is not seen as economic activity, yet is often the reason that many children, particularly girls, are kept away from schools so that they can carry out these basic survival activities for their families.

The new amendments to the constitution introduced in 2002 supplement these principles with respect to the child. Making the right to education a fundamental right, the amendments also cast a duty on every parent or guardian of child under 14 years of age to ensure that the child attends primary school and thus implicitly child labour.

While there seems to be universal appeal on the notion to the undesirability of child labour, the conceptual discussion on the issues and policies brings out three interrelated concerns. These are the:

- Dynamics of intra-family decision-making
- Link to poverty and unemployment
- The benefits to the child from education and other forms of human capital development.

The first issue we need to understand while framing policy to restrict child labour relates to an appreciation of the mechanics of intra-family decision makings. Here decision depends upon a number of different parameters which children's leisure or education is viewed as luxury and only better off households can afford them.<sup>19</sup> Complicating the analysis is the fact of the educational level of the family and prevalence of gender stereo types on the role of boys and girls. Thus for example, Basu (1993),<sup>20</sup> shows examples when the mother has to take up work outside home, she takes the daughter out of school in order to have her do the housework. Sen makes similar argument on intra-family allocation of food where boys received preferential treatment.<sup>21</sup>

The fact that restricting child labour can have the effect of raising adult wages and employment opportunities in such a manner the families would prefer not to put their children to work. In formal economic logic this is equivalent to saying that we can have multiple equilibria with both low and high adult wages as different outcomes. In these models the restriction on the child labour has the effect of selecting the higher wage equilibrium. The point about viewing these outcomes, as equilibria is to stress that individual decision making alone is not enough to restrict the child labour.

At a individual family level if there is no restriction and family incomes are low then more working children imply greater family earnings, further if a family's earning capacity is a function of the number of people it can put out in the Job market, there is additional incentive to have more children. In such

---

<sup>19</sup> See Jafarey and Lahiri (2001), Child Labour: 'Theory, Policy and Evidence'.

<sup>20</sup> Alaka Basu (1993): 'Family Size and Child Welfare in Urban Slum: Some Advantages of Being Poor but Modern.'

<sup>21</sup> A. Sen (1983), Economics and Family, Asian Development Review, also 'Family and Food: Sex Bias in Poverty'.



cases there is a need of legal restriction acts to raise both individual and social welfare.

The third issue highlights what is the most crucial aspect of policies on restricting Child Labour. The child by working is deprived of opportunities to educate himself and improve her productivity and future earnings. One may counter this by asking: why does the family not recognize this and seek to borrow to meet current requirements and educate the child. While this criticism would be valid in a world with a perfect market, absence of efficient and accessible capital market would restrict the ability of the child or her family to borrow against the prospect of higher payment capacity later: A more severe problem relates to the quality and usefulness of education available.

A recent report by the PROBE team (1999)<sup>22</sup> is revealing. It found that state of basic education was appalling and even though parents valued education on its own right, they believed that their children were unlikely to benefit from education in current state.

In concluding remarks, we can only say – for this aspect – that different models highlight the need for a multifaceted approach to policy for eliminating child labour. Thus we need to address issue of gender imbalance inside the household, provide for adequate system of education that enhances productivity. The short run and long run effects of policies to restrict child labour are quite different. Thus a policy that seeks to restrict child labour will lead to fall in household income in short run. Though, eventually the increase in education and due to improved employment opportunities for adults will lead to increased earnings in long run. The problem is that economists are poor in describing the process and consequences of transition from one equilibrium

---

<sup>22</sup> The Probe Team, 1999, Public Report on the Basic Education in India, OUP, New Delhi.

state to another. The short run loss of earnings in poor families can create negative attitudes which may end up in defeating the broad support for the policy. Ideally a policy on eliminating child labour should provide for some source for income supplement or additional employment to the adults to protect against this contingency.

### **Enforcement of Labour Rights**

FPRs can be ensured only with concerted action from state and social partners. The ILO declaration of 1998 calls for a need to 'respect, promote and realize' FPRs. Even while some of the care conventions are not ratified, there is still a great deal of compliance with the spirit of the FPRs at the level of law and policy. On the ground the degree of compliance may be lower. The weaknesses in the enforcement machinery in India are well known. Despite having some very progressive laws on the statute book, ground realities belie the protection afforded by the laws. One of the ways to ensure greater compliances with FPRs has been the acceptance of voluntary codes of conduct with their in-built mechanisms for monitoring compliances. These codes adopted by various industries ensure minimum labour standards on the part of their suppliers, provided an independent means of inspection and compliance with FPRs. Many of these codes adopt the FPRs as their basic set of standards that they wish to ensure. These have had positive effects in the units engaged in manufacturing for the brand owners.

There is a scope for introducing such voluntary codes in sectors where there is sub contracting to ancillary units, in order to ensure compliance with FPRs. Employers, sub contractors and trade unions agreeing up on the needs to recognize certain minimum labour rights in subcontracting chain and also arriving at mutually agreeable means of monitoring these codes could be

considered. The incentive for voluntary monitoring would improve the credibility of the social partners to be seen to be committed to a policy of adhering to FPRs. But voluntary codes would of course in no way supplant, but merely supplement existing inspection procedures.

The central role played by the government and courts in labour disputes has led to the greater 'jurisdiction' of all disputes and grievances. One innovation to deal with the backlog of cases that plague the labour judiciary has been to set up alternate dispute redressal mechanisms that can dispose of pending cases. Lok Adalats have been used in certain states to deal with labour matters. The central government also has set up a system of Fast Track courts in 2002 to deal with cases of general nature pending in Indian courts. Similar fast tract courts can also be set up to deal with labour cases. This is particularly necessary in the case of closure of establishments and to expedite recovery proceedings against employers who are unable to pay dues to the workers. The inability of the existing labour adjudication machinery to pursue these cases has been noted.<sup>23</sup>

Further, to strengthen the enforcement of labour laws, particularly laws such as Minimum Wage Act 1948, there is need for greater coordination with development institutions, NGOs and trade unions and in general improves the existing machinery for inspection and enforcement. The large number of case at present pending before the labour courts and tribunals can reduce, if effective recourse of collective bargaining were available. At the same time, other cases dealing with individual matters, such as case of misconduct, which are at present dealt with. Judicially could be dealt with more efficiently if the formalism and rigid rules of procedures were modified as has been done in case

---

<sup>23</sup> NCL Para 2.285 (2002).

of consumer courts and the family courts. The consumer protection act 1986 and Family Court Act 1980 could serve as models for designing courts that deal with labour disputes.

## **Conclusion**

We have seen that India presents a complex picture in the area of labour rights, particularly of association and collective bargaining. Association is a constitutional right and has been protected as such by the courts. Therefore, associations, if not unions, exist in a large set of organized activity including the government. On the other hand, with a few exceptions most states do not have an established legislative framework for collective bargaining, union activity without a framework of collective bargaining implies breakdown in communications and absence of give and take, which makes for a successful enterprise. The other problem is that the presence of a large unorganized or informal sector with poor levels of literacy has meant that these workers are potentially deprived of the benefits that come out of the associations due to low level of unionization in this sector. This gap is being met to some extent by the activities of NGOs as well as increased efforts by trade unions. Though there are constitutional provisions for freedom of association, the lack of an adequate collective bargaining framework including mechanism for recognition of trade unions at a central/state level has meant that there is need to identify and operationalize an effective vehicle for employers and workers to negotiate common concerns.

The growth in sub-contracting and greater presence of contract labour and ensuring condition of decent work for these workers could be addressed by utilizing the framework of the contract labour act as discussed earlier to regulate conditions of employment in such triangular employment relationships.

Hence, this discussion on policy appears to be largely focused on obligations of the state. It is important to note that these will be possible only if unions and industry associations were to recognize the collective benefits of revamping the system of disputes settlement and enforcement machinery. It is also necessary that a culture of dialogue be created among workers and employers within each enterprise and industry. In case of freedom from discrimination and forced labour, India has ratified the relevant conventions, but gaps in their application have been noted as also the lack of an effective machinery to deal with varied cases of discrimination in the private sector.

In order to reduce the incidence of child labour, there is need for greater coordination with general anti-poverty programmes. In particular, strengthening the mid day meals and financial incentives would be necessary. At the level of legislation there is need to consolidate legislation relating to various aspects of child welfare. India being a democracy, with a strong tradition of defining and defending rights, should be in forefront of the movement for realization of rights everywhere. Critical elements of the debate include the domestic concerns arising from some positions indicating the existence of a rigid framework of protection in relation to labour laws and regulations. In parallel, international observers have perceived some hesitation on matters relating to the international labour standards.

This policy dilemma has arisen from certain limitations of the existing framework for the enforcement of Fundamental Principles and rights at work. Key actors in the world of work have to address this concern, only then there would be significant progress in meeting both constitutional obligations as well as the concern of labour welfare in the time of this capitalist arena.

## Conclusion

Specificities of developing countries are very different from the developed countries. It means an all together different policy frame work is needed to address the problem of labour in developing countries like India. The goal of studying market policies behaviour vis-à-vis labour welfare is to put light on the existing state of affairs and suggest an amicable path, in which 'Competition and Welfare' both can adjust to each other. Since 'Human Resource Development' deals with broad range of subjects, its study requires an understanding of massive waves of changes in the structure that are transforming our economy and society.

With the aim of studying in depth the dimensions of structural change and its impact on Indian labour market, we found some major changes, which have important implications for the manpower policy decisions of India. The conclusion that we reach for India can be roughly generalised for the whole of the third world countries, especially for those having a colonial past and a present economic planning system for growth and development. Though we have explicitly mentioned, what can be the middle path for protection of labour rights; when we cannot ignore the globalization tendencies; we shall sum up those here again.

In the introduction, we had raised some major concerns relating to labour arrangements in the context of liberalisation. From the second chapter particularly, with support of relevant data, it is quite clear that casualisation or informal sector labour proportion is increasing. It's even when there is a structural shift from agriculture to service sector.

The second investigative point was about nature and implementation of social security measures. The fact that social security measures lack effective implementation is substantiated in chapter three. Here it is suggested that in India, there is no dearth of appropriate measures; however, most of them fail to deliver. Another version of second question becomes valid from the contents of last two chapters. Fundamental rights and many security schemes launched by Government of India, speak in favour of it.

The conclusion we reach from the overall exercise is that while the first investigating point is accepted on the basis of empirical analysis, second point stands valid with theoretical arguments. This means, even though we are facing adverse impact of liberalization; yet we have some measures- provided legally and constitutionally which can protect labour welfare up to a large extent.

First chapter, we found, gives a theoretical background. Review of past is essential- as done in first chapter – to discuss the present dilemma. This chapter had prepared the stage for further progress of this dissertation. In the second chapter, we examined the changes in supply conditions of labour market. We deduced that due to deregulation and economic reforms; employment trends were manifested with casualisation, tertiarisation, rise in part time rather than regular jobs and increased share of informal sector in total employment.

In the third chapter, the existing social security measures with their merits and demerits have been discussed. From here it comes out that our policy makers are quick in launching programmes for social security, but they are hardly concerned about their effective outcomes. It is a major cause for exploitation of labour class. Final chapter is the 'Policy Implication Chapter'.

In this chapter viable ways of ensuring labour welfare in the present scenario have been suggested.

Apart from this, we shall sum up some important observations from the whole exercise:-

- (a) Government can play an important role in labour market. It can ensure labour welfare and security even in the era of privatization, if it regulates and participates actively through labour powering with human resource policies.
- (b) When we advocate for labour intensive technology, an important point to keep in mind is that the objective is not to reduce overall profitability of capital at large but to redirect capital into more labour intensive uses by not affecting their relative profitability. Where the problem is one of more general abundance, a distinction between types of equipments is desirable.

And now to conclude, we may sum up by following lines: -

The major cause of structural changes in the employment and deterioration of labour welfare can be found in the changing composition of economic structure, particularly after 1990's change in composition of production, together with available technology, which determines change in demand for labour. Government in the present realm is unable to influence the change in demand pattern for labour. But by effective implementation of policies can ensure that labour class does not become victim of exploitation of entrepreneurs.

In addition to this, Government and other related organizations, by providing technical education or financial support-in terms of soft loans-can



strengthen this class bargaining power in the open market. Educated labour force has a high probability to shift to the economic sector where there is high wage and stability. So, there should be an educational system evolved that must place the potential workers in the best education and training with right selection . There are many other such factors, which have not been emphasized here but may be deemed important in tackling exploitation and strengthening welfare. Type of political authority and social institutions are important among these.

Lastly, we may conclude by saying that the most important task at present is to draw together these diverse experiences and insights with practical knowledge. The foundation must be strengthened so that manpower economics can learn from the past in dealing with the future.

## Bibliography

(1998), "Indian Economic Policy Reforms and Poverty: An Assessment", Chapter 12 in Volume in Honour of Manmohan Singh (ed.) by I. J. Ahluwalia and I. M. D. Little, New Delhi, Oxford University Press.

(2001), "Estimates of Private Consumption: Disaggregated NAS-NSS Comparison", *Economic and Political Weekly*, Vol. 36, No.2

Ahluwalia, Ishar J. (1992), *Productivity and Growth in India Manufacturing*, Oxford University Press, Delhi.

Anant and Goswami, "Getting Everything Wrong: India's Policy Regarding Sick Firms", in Dilip Mukherjee (ed.), "Essays in Industrial Policy", OUP, 1995.

Anant et. al. "Industrial Sickness in India: Institutional Responses and Issues in Restructuring", Studies in Industrial Development Paper No. 17, May 1995, Government of India, Ministry of Industry (1994).

Basu, Kaushik, "Child labour: Cause Consequence and Cure, with Remarks on International Labour Standards", *Journal of Economic Literature*, 1999.

Bhaduri, Amit (1996), "Employment, Labour Market Flexibility and Economic Liberalisation in India", *The Indian Journal of Labour Economic*, Vol.39, No.1

Bhagat, Manju (1997), "Poverty and Minimum Wages", *The Indian Journal of Labour Economic* , Vol. 40, No. 4.

- Bhagwati, J. and T.N. Srinivasan (1993), "India's Economic Reforms", Ministry of Finance, Government of India, New Delhi.
- Bhagwati, Jagdish (1988), "The Poverty and Public Policy", *World Development*, Vol. 16 No. 5.
- Chandra, Ashoka (1999), "The Role of Training in Productivity: The Objectives of NRF", in M.L. Nandrojog (ed.), *National Renewal Fund: A Look Ahead*, International Labour Organisation, New Delhi
- Datt, Gaurav and Martin Ravallion (1991). *Impact of Time Allocation and Poverty of Public Works in Two Maharashtra Village*, welfare and Human Resources Division, World Bank, Washington, D.C.
- Datt, Ruddar (1992), "Economic Liberalisation and Labour". *The India Journal of Labour Economics*, Vol. 35 No. 4.
- Deshpande, Sudha and L.K. Deshpande (1992), "New Economic Policy and Female Employment", *Economic and Political Weekly*, October 10.
- Ghosh, Jayati (1995), "Employment and Labour Under Structural Adjustment : India Since 1991", *The Indian Journal of Labour Economic*, Vol. 38, No.4.
- Ghoshe, A.K. (1977), "Should There be a National Minimum Wage in India?", *The Indian Journal of Labour Economic*, Vol. No. No. 4.
- Golder, B. (2000), "Employment Growth in Organised Manufacturing in India", *Economic and Political Weekly*, April 1.

Government of India (1990), *Councurrent Evaluation of Integrated Rural Development Programme: The Main Finding*, Department of Rural Development, New Delhi.

Government of India (1999), *Annual Report 1998-99*, Ministry of Industry, New Delhi.

Guhan. S. (1995), "Social Security Options for Developing Countries", in Figueirido, Jose B. and M. Shaheed (eds.), *New Approaches to Poverty Analysis and Policy-II*, International Institute of Labour Studies, Geneva.

Haltiwanger, John and Manisha Singh (1999), "Cross Country Evidence on Public Sector Retrenchment", *The World Bank Economic Review*, January Vol. 13, No.1.

Hensman, Rohini (2001), "Employment as Social Security: Pros and Cons", in IDPAD Workshop on Collective Care Arrangements Among Workers and Non-workers in the Informal Sector, Centre for Economic and Social Studies, Hyderabad, March 1-2.

IAMR (2000), *Evaluation of Prime Minister Rozgar Yojana*, Institute of Applied Manpower Research, New Delhi.

ILO (1996), *India: Economic Reforms and Labour Policies*, International Labour Organisation, New Delhi.

ILO, *Economic Reforms and Labour Policies in India*, ISBN 92-2-109245-3.

ILO, *India, Economic Reforms and Labour Policies* (1996).

- Joshi, V. and I. M. D. Little (1997), "India's Economic Reforms", Oxford University Press
- Kundu, A (1997), "Trends and Structure of Employment in 1990s: Implication for Urban Growth", *Economic and Political Weekly*, June 14.
- Mahendra Dev, S. (1992), "Poverty Alleviation Programme: A Case Study of Maharashtra with Emphasis of Employment Guarantee Scheme", Discussion Paper No. 77, Indira Gandhi Institute of Development Research, Mumbai.
- Mahendra Dev, S. and Ajit Ranade (1996), *Background Paper for World Bank Country Memorandum for India*. World Bank, New Delhi.
- Mathur, Ashok (1999), "Economic Reform, Employment and Non-Employment: Theory, Evidences and Policy", *Conference Volume of the Indian Economic Association*, 80<sup>th</sup> IEA Conference, Chandigarh.
- Mitra Arup (1990), "Duality, Employment Structure and Poverty Incidence : The Slum Perspective", *Indian Economic Review*, Vol.25, No.1.
- Mitra Arup (1992a), "Urban Poverty: A Rural Spill Over?" in V. Pandit and S.D. Tendulkar (eds.) *Indian Economic Review*, Special Number.
- Mitra Arup (1992b), "Growth and Poverty: The Urban Legend", *Economic and Political Weekly*, Vol. 27, No. 13.
- Mitra Arup (1993), "Rural Non-Form Employment, Poverty and Women", *The Indian Journal of Labour Economics*, Vol. 36, No.3.
- Mitra Arup (1998), "Employment in Informal Sector", *The Indian Journal of Labour Economics*, Vol. 41, No. 3.

- Mitra Arup (1999), "Survey on Changing Labour Market Structure and its Effect on Employment in India" Asian Productivity Organisation, Tokyo.
- Mundle, Sudipto (1992), "The Employment Effects of Stabilization and Related Changes in India. 1991-92 to 1993-94", in ILO-ARTEO, *Social Dimensions of Structural Adjustment in India*, ILO, New Delhi.
- National Child Labour Projects: An Evaluation, Ministry of Labour.
- National Sample Survey Organisation (NSSO) (1996), *Key Results of the 50<sup>th</sup> Round Survey of Employment and Unemployment*, Revised Report No. 406, Department of Statistics, Government of India, New Delhi.
- Nayyar, Deepak (1993), "Economic Reforms in India: A Critical Assessment, ILO-ARTEP, New Delhi
- Noronha, Ernesio (1999), "Duration of Unemployment and Re-employment", *Management and Labour Studies*, Vol.24, Nos. 2 and 3, April.
- Parthasarthy, G. (1997), "Minimum Wages within Agriculture", *The Indian Journal of Labour Economic*, Vol.40, No.4
- Planning Commission (1956), *Second Five Year Plan*, New Delhi
- Planning Commission (1962), *Third Five Year Plan*, New Delhi.
- Planning Commission (1992), *Eighth Five Year Plan*, New Delhi.
- Planning Commission (1999), *Ninth Five Year Plan*, Vol.1, New Delhi

Popola, T. S. (1994), "Structural Adjustment, Labour Market Flexibility and Employment", *The Indian Journal of Labour Economics*, Vol. 37, No. 1, New Delhi.

Ramaswamy, E.A. (1996), "Organised Labour and Industrial Relations", in *Selected Reading for Discussion at the National Conference on the Future of Industrial Relations and Industrial Relations in Future*, New Delhi.

Ranade, Ajit (1998), "Maharashtra's Employment Guarantee Scheme: Regional Patterns, Scope for Reforms and Replication", *The Indian Journal of Labour Economics*, Vol. 41, No.2.

Rao, Praveen (1995), "Liberalisation, Structural Adjustment and the Working Class", in *Redeployment of Labour in South Asia*, AMDISA, Hyderabad.

Report of the National Commission on Labour (2002) at <http://www.labour.nic.in>.

Report of the Taskforce on Employment, Planning Commission, Government of India (2001), Report of the Special Group on Employment Opportunities, Planning Commission, Government of India (2002).

Roy Choudhary S. (1996), "Industrial Restructuring, Unions and the State : Flexible Mill Workers in Ahmedabad", *Economic and Political Weekly*, Vol. 31, No. 8.

Sen, Amartya, "Family and Food: Sex Bias in Poverty", reprinted in A. Sen, *Resources, Values and Development*, OUP (1984).

Sen, Amartya, *Economics and the Family*, Asian Development Review 1983.

- Sen, Amartya, Work and Rights, *International Labour Review*, Vol. 139 (2000), No. 2.
- Sharma, A.N. (1997), "Trends in the Structure and Pattern of Employment and Unemployment in India", Institute of Economic Growth, Working Paper Series, No. E/188/97.
- Sharma, Alakh N. and S.K. Sasikumar (1996), *Economic Liberalisation and Labour*, National Labour Institute, Noida.
- Singh, Ajit and Zammit, Ann, "The Global Labour Standards Controversy Critical Issues for Developing Countries", South Center (2000).
- Singh, Manmohan (1993), "Economic Reforms and Challenges before the Labour Economics, *The Indian Journal of Labour Economic*. Vol.35, No.1.'
- Sundaram, K. and S. D. Tendulkar (2000): "Poverty in India: An Assessment and Analysis", Mimeo, Delhi School of Economics.
- Tendulkar, S.D. and L.K. Jain (1995), "Economic Reforms and Poverty", *Economic and Political Weekly*, June 10.
- Tendulkar, S.D., K Sundaram and L.K. Jain (1996), "Macroeconomic Policies and Poverty in India: 1966-67 to 1993-94" Paper Prepared by ILO, New Delhi.
- The Probe Team, Public Report on Basic Education in India, Oxford University Press, New Delhi (1999).



Unni, Jeemol (undated), "Security in the Labour Market: Self-employed Workers and Employment in South Asia", Gujarat Institute of Development Research, Ahmedabad, Mimeo.

Unni, Jeemol, "Gender and Informality in Labour Market in South Asia", *Economic and Political Weekly*, June 30, 2001.

Unni, Jemol, Wages and Employment in Unorganized Sectors: Issues in wage Policy, in Amitabh Kundu and Alakh N. Sharma (eds.) *Informal Sector in India: Perspectives and Policies* (2001).

Visaria, Pravin (1997), "Youth Unemployment in India: Its Level, Nature and Policy Implications", Institute of Economic Growth, Delhi, Mimeo.

