ECONOMIC REFORMS AND LABOUR IN INDIA : A SURVEY

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The subject of economic reforms involving demand-sided short-run stabilisation measures as also supply-sided medium-term structural adjustment measures is a very profound, broad and complex one with far-reaching social and economic implications. An attempt is made in this paper to give a flavour of the ongoing debates about the varied impact of economic reforms on the working classes in India. Accordingly, the paper is divided into six sections. Section I presents the vision as also critique of the standard IMF-World Bank model of economic reforms. Section II summarises the new economic policies in India since mid-1991 and some important criticisms levelled against them from the standpoint of labour. Section III is a snapshot at the employment behaviour in terms of its growth and pattern in the pre-and post-reforms periods. Section IV elaborates the views concerning labour adjustment and industrial relations in the manufacturing sector in India in the light of reforms. Section V briefly deals with the impact of reforms on real income of the workers in general, and on women workers in particular. And finally, some conclusive remarks are made in Section VI.

I. ECONOMIC REFORMS : AN OVERVIEW

The nature and impact of economic reforms engineered to overcome the crisis situations in most countries of the developing world — Latin America, Sub-Saharan Africa, Eastern Europe and Asia — have been basically guided by the IMF programmes of short run stabilisation, and the World Bank programmes of medium-term structural adjustment so as to facilitate long-term sturctural transformation of the economy concerned. The former deals with the demand side by reducing the level of aggregate demand in the economy in order to get over the deep-rooted macro economic disequilibrium, while the latter is supply-sided and seeks to raise economic efficiency and output growth (Nayyar, 1993). The standard IMF-World Bank model of stabilisation cum structural adjustment contains the following elements (Ghosh, 1995) : (i) reduction of the government's fiscal deficit, and bringing public budgets into balance as part of immediate stabilisation measures as well as for sustainable adjustment; (2) control or reduction of domestic credit, also as part of stabilisation; (3) financial sector liberalisation as part of the general move towards deregulation and market-based sigalling devices, involving the strengthening of capital markets vis-a-vis banking intermediaries, allowing for more financial innovation and generally implying increases in the cost of credit; (4) external sector liberalisation, including both relaxation of regulations and restrictions pertaining to external trade

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as well as changes in policy towards the capital account; (5) moves towards devaluation of the currency and allowing greater market determination of foreign exchange rates, which is necessary to balance trade in the wake of the trade liberalisation measures that free imports; (6) domestic deregulation of capacity and production and freeing of controls including those on prices of essential commodities and restrictions on their movements; (7) cuts in overt and covert public subsidies, especially those on items such as food and essential productive imports or intermediaries, such as fertiliser or electricity, both as part of budgetary cuts so as to bring domestic prices in line with international prices; (8) public sector reforms, normally implying a rise in output prices, reduction of state subsidies and possible closure of loss-making enterprises along with moves towards distinvestment and privatisation; and (9) policies that allow for greater flexibility in the labour market, including more freedom for hiring and firing by employers, relaxation of minimum wage laws and safety clauses, and similar protective legislation for workers.

The general thrust of this IMF-World-Bank model is to reduce the explicit role of the government in the economy and give greater play to market forces in determining resource allocation and utilisation. Resource allocation is altered by shifting resources from (a) the non-traded goods sector to the traded goods sector and within the latter from import competing activities to export activities; and (b) the government sector to the private sector. Resource utilisation is sought to be improved by, (a) increasing the degree of openness of the economy; and (b) changing the structure of incentives and institutions, which would reduce the role of state intervention to rely more on the market mechanism, dismantle controls to rely more on prices, and wind down the public sector to rely more on the private sector. The basic premise underlying the economic logic of the IMF-World Bank model of structural reforms is that import substitution based development strategy and state intervention leads to inefficient resource allocation and resource utilisation. And orthodox economic theory in the dominant neoclassical tradition provides the theoretical basis for this model (Nayyar, 1993).

According to the above model, the negative effects, if any, of the short-run stabilisation measures (especially the reduction of the fiscal deficit and control over domestic credit), involving domestic recession and associated depressive effects on output and employment, would be more than offset by the structural adjustment measures which would, through a thorough restructuring of the economy, impart both efficiency and dynamism to be growth process, and this, in turn, would lead to an eradication of the problems of unemployment/underemployment and absolute poverty in the developing countries. It is believed that (a) the economic growth generated by structural adjustment will serve to increase employment generation, particularly for less skilled workers in exporting non-agricultural sectors; and (b) freeing agricultural prices and external trade would act as sufficient incentives for rapid agricultural output and employment growth. Thus, it is hoped that utilimately there would be improvement in the overall economic conditions facing the working classes.

By contrast, the critics of the above model draw upon an extensive literature to point out that the stabilisation cum structural adjustment programmes, as they have been really practised in the developing world, do affect adversely employment, wages and working conditions. Without going into details, we may note some of their main misgivings in this connection as follows (Nayyar, 1993 : Ghosh, 1995) : (i) There are serious problems of and significant dangers in the transition from stabilisation to growth; (2) The short-term impact of macro-economic adjustment on output, employment and growth is almost always adverse. When countries embark on structural reform in a situation of deep macro-economic disequilibrium, stabilisation policies squeeze supply responses, resulting in stagflation and poverty; (3) The medium term restructuring of economies is easier said than done. For example, trade policy reform meant for promoting outward looking as against inward looking, may stimulate output by creating economic efficiency gains, but it can also move an economy from a situation of too much protection to a situation of too little protection, and if the manufacturing sector is unable to cope with such a rapid transition, the outcome may indeed be forced de-industrialisation. Industrial deregulation which removes bariers to entry and limits on growth may increase competition among firms and improve resource utilisation, but it often leads to retrenchment or closures and cannot wish away barriers to exit, particularly in most developing economies where levels of income are low, levels of unemployment are high and social safety nets are absent or negligible. Financial deregulation can be perilous not just in terms of bubbles that burst or scandals that surface but also if it diverts scarce resources from productive uses into speculative activities. Public sector reform, which is based on a sale of government assets or rudimentary forms of privatisation, may not resolve the real problems of efficiency and productivity but can end up socialising the costs and privatising the benefits. The point is that re-structuiring would be meaningless unless its content, sequence and speed are planned and calibrated in a careful manner that recognise structural regidties where they exist instead of assuming structural flexibilities where they do not exist; (4) The various elements of the IMF-World Bank model based structural reforms have deleterious effects on employment, wages and working conditions both directly and indirectly. Fiscal balance is rarely achieved by increasing taxes and usually relies upon the politically more expedient means of cutting back capital expenditure which not only affects growth prospects for the future but also production and employment conditions in both the organised and unorganised sectors. The soft options in fiscal adjustment also tend to squeeze public expenditure in social sectors where there are no political constituencies, as the resources allocated for poverty alleviation, education, healthcare, family welfare, water supply, sanitation, housing, urban development, social welfare of the underprivileged, nutrition and labour welfare decline in real terms so much so that the burden of adjustment is inevitably borne by the poor. The various measures aimed at domestic decontrol and deregulation, as well as external sector liberalisation, all of which move towards greater market orientation, typically tend to reduce the bargaining power of both the organised and unorganised labour vis-a-vis employers, a tendency which is aggravated by the increasing use of labour saving technologies, the demands of international competition and the much greater mobility of capital across the world. Such liberalisation essentially involves primarily greater freedom for large capital, both domestic and foreign, rather than advantages to smaller capital or to workers. Consequently, the main trust of these reforms is 'anti-labour', becasuse (a) the focus of labour market flexibility is on the suppression of working class demands regarding employment conditions, and/or greater freedom for employers to exercise "managerial dominance" which contributes to the deterioration of conditions for all workers; and (b) the main preoccupation of such liberalisation measures is with enhancing profitability for exporters and foreign investors through the appropriate manipulation of labour. Furthermore, in economies such as India, the most critical factor from the viewpoint of overall development is agriculture, and what determines growth and employment generation here, is the question. Price incentive is usually inadequate by itself and has to be supplemented/substituted by institutional reform as also by massive public infrastructual investment especially in the lagging regions. Also, the employment elasticity of newer cultivation techniques tends to be low from a combination of technological change and market and social forces and this requires specific mitigating state interventions which are typically dented under such an economic regime. Finally, while labour incentive export employment may create additional jobs particularly in certain pockets, the net effect of the whole package of structural reforms on total employment may not be positive because of the shrinking employment in other sectors related to public expenditure cutbacks which tend to create more open unemployment. And in considering the material welfare of the workers, it is important to inquire into not simply employment but also wages and working conditions, and whether workforce participation of members of households occurs in a context of declining aggregate real incomes of households; (5) Contrary to the *simpliste* prediction of the orthodox neo-classical theory, the reality is more complex in that the discipline of market may not suffice to ensure efficiency in terms of resource utilisation because the economic organisation of production at the micro-level is not simply about the presence of price competition. One has to probe deeply into how decisions are carried out and put into effect by people within organisations (Libenstein, 1981 and 1989). This is not all. Restructuring of economies is not only about *getting-prices-right* but, perhaps, more importantly, *getting-state-intervention-right* as in the success stories in East Asia that are now perceived as role models. Their stories convey us that in a world of uneven development characterised by rapid technical progress, ever changing comparative advantage and imperfect market structures, the role of governments in the industrialisation process remains vital and could account for the difference between success and failure. In the earlier stages of industrialisation in East Asia, state intervention created the conditions for the development of industrial capitalism by establishing a physical infrastructure through government investment, developing human resources through education, or facilitating institutional change through agrarian reform. In the later stages of industrialisation, state intervention changed to become (a) functional to correct for general or specific market failures and (b) strategic, whereby intervention , interlinked across activities and sectors, sought to attain broader, long-term objectives of development.

II. ECONOMIC REFORMS IN INDIA

We do not here go into the debate about the origins of the external debt crisis that surfaced in early 1991 and which set in motion economic reforms in India. It may just be noted that many scholars attribute the origins of crisis to the cavalier or profligate macro-management of the economy during the 1980s while some analysts (e.g. Bhagawati and Srinivasan, 1993) attribute it to the misplaced strategy of import substitution based development since the mid-1950s. Moreover, there has been a process of "creeping liberalisation" of the Indian economy since the mid-seventies through the eighties before revolutionary changes were brought about in the first two or three years of economic reforms since mid-1991.

Briefly, the structural reforms in the Indian case were as follows (see for details, Nayyar, 1993). Under the industrial policy reform, industrial licensing was abolished for all industries, except in a very few cases. The MRTP Act has been amended to remove the threshold limit of Rs. 1 billion on the assets of MRTP companies, and to eliminate the need for prior approval from the government for capacity expansion, capacity creation, amalgamation, mergers or takeovers on the part of the MRTP companies.

Under the trade policy reform, there has been (a) a rapid dismantling of quantitative restrictions on imports and exports; (b) a substrantial reduction of taxes and subsidies on trade; and (c) several adjustments in the exchange rate under the euphemisms of partial convertibility and full convertibility whereby a steady and a substantial depreciation in the parity of the rupee has been effected.

As regards capital flows, a large number of constraints operating on direct foreign investment (DFI) — both in manufacturing and trading activities — as also portfolio investment have been removed. And the import of technologies has been made much easier for domestic firms in all industries. At the same time, provisions of the Foreign Exchange Regulation Act (FERA) have been amended and procedures of the Reserve Bank of India (RBI) have been streamlined in an attempt to facilitate investment abroad by the Indian companies in the hope that domestic firms would develop global linkages.

Under the public sector reform, the industries reserved for the public sector were reduced, and subsequently private participation was allowed even in some of the sectors (e.g. mining and minerals) reserved for the public sector. In order to impart a commercial orientation to profitable enterprises in the public sector, disinvestment of government equity upto 20 per cent, subsequently extended to 49 per cent, was allowed in selected public sector enterprises. At the same time, non-plan budget support to the public sector, used mainly to finance losses, has been progressively reduced and was sought to be eliminated altogether in due course. The Sick Industrial Companies Act (SICA) was amended whereby the Board of Industrial and Financial Reconstruction (BIFR) would decide whether the public enterprises that are chronically sick and are unlikely to be turned around, can be effectively reconstituted or whether they should be closed down. In the case of closures, compensation and retraining for displaced workers would be provided through the National Renewal Fund (NRF), financed mostly by borrowing from multilateral financial institutions.

Under the financial sector reform, various measures were undertaken to reduce state interventions and controls exercised by the RBI in order to improve the profitability of the commercial banking system, and the functioning of the domestic capital market (to finance investments in the private sector, attract foreign portfolio capital and facilitate divestiture in the public sector) on the presumption that the discipline introduced by market process would make both more efficient.

Finally, in terms of labour market reform and an industrial exit policy, very little has changed in terms of the *de jure* policies of the government since the early 1950s. Although India is a labour-surplus economy, its labour is hierarchically structured along the protective ladder, drawing a clear dividing line between the very small protected and the very large unprotected sectors. There are vast differences between the employment conditions in these two sectors (Davala, 1995). Almost in line with this fragmented nature of the labour market, the set of laws, consisting of legal statutes and case material, currently in existence in the country, can be looked upon as falling into two broad model categories—one for the formal/organised sector employees and the other for the informal/unorganised sector workers (Mukhopadhyay, 1991). On the one hand, there are many pieces of pre-and post-independence labour legislation dealing with industrial relations and social legislation measures—e.g. the Trade Unions Act of 1926, the Workmen's Compensation Act of 1923, the Industrial Disputes Act of 1948, the Employees State Insurance Act of 1948, the Employees Provident Fund Act of 1952, etc.— which are meant to protect the rights of and confer benefits on only regular workers in the organised sector. Further, since the beginning of the fifties, the official stance has almost always been towards maintaining industrial peace through compulsory tripartite arbitration. The large unions in India operate more as labour wings of the major political parties, and the state has been a ubiquitious presence in all kinds of wage negotiations and industrial disputes. Furthermore, under the Industrial Disputes Act (IDA), economically non-viable large private sector units cannot close down easily — a provision meant to assure employment security to the organised sector workers.

On the other hand, at the other end of the spectrum are the large masses of unprotected workers for whom the Directive Principles of the Constitution of the country guarantee "the right to work", "just and humane conditions of work" and "a living wage to all workers — agricultural, industrial or otherwise". Time and again the "power and glory" of such Constitutional provisions have been invoked to enact fresh labour laws — e.g. the Child Labour Act of 1987; the Inter-State Migrant Workers (Regulation of Employment and Conditions of Service) Act of 1979; the Equal Remuneration Act of 1976; and the Contract Labour (Regulation and Abolition) Act of 1970 — but they end up as mere paper tigers and come to be seen as no more than pious pronouncements. The reservation price of these workers is low and, lacking any kind of organisation, they are not in a position to demand decent wages or secure employment.

Structural reforms in India have come under heavy fire not only in terms of the points made in Section I of this paper, but also on the following grounds (Ghosh, 1995; Bhaduri, 1996). First, in terms of the actual experience in India so far, their main features have been the absence of a true stabilisation and the growing revenue deficit of the government; a recent macro-economic recovery based on an unsustainable fiscal impulse; a relative stagnation in per capita income despite stable increases in agricultural output; a decline in savings and investment rate in the economy; rising inflation rates; and a relatively fragile balance of payments situation with undesirable reliance upon inflows of speculative portfolio capital. All these macro-economic conditions do not augur particularly well for either employment generation or the working conditions of those employed.

Secondly, *de facto*, the lack of a clear cut exit policy has not prevented the effective laying off of substantial numbers of workers through lockouts and closures or numerous legal and illegal ploys used by employers to restrict the number of regulars on their payrolls, and the use of all kinds of flexible work arrangements with unattached labour for work in the organised sector. Nor has it prevented the employers in the organised sector, from getting much of their work done through subcontracting to small-scale employers who strive to retain their small scale stamp by restricting the number of regular workers to below the magic mark of ten employees with power or twenty without. As such, since only a small proportion of India's workers (8.5 per cent) work in the organised sector, and an even smaller proportion has the benefit of unionisation and protection of minimum rights, the need to "restructure" the labour market to ensure greater "flexibility" is also correspondingly limited. This means that, in essence, the basic material conditions of labour in India will continue to be determined primarily by the macro-economic processes rather than by worker-specific legislation.

Thirdly, sufficient growth in gainful employment over time is the crucial test of political viability, thereby balancing social justice with economic efficiency in a populous democracy such as India. Structural reforms will lose popular support unless they meet this long term test. In this connection, it has become fashionable now, following the orthodox neoclassical theory, that industrial growth and restructuring requires a more flexible labour market in terms of (a) flexibility of real wages, especially in the organised industries; (b) freer "hiring and firing" of labour by entrepreneurs and managers; and (c) free "exit policy" by firms, that are incapable of competing, despite real wage flexibility and freer hire and fire. This is a typical supply-side argument that firms will be induced to produce more as their production cost diminishes through lower real wages. Under textbook assumptions, the lower real wage would be equated to the lower marginal product of labour at higher employment and output, enabling firms to reach their profit maximising equilibrium. If anything, free "hire and fire" of labour would strengthen further this supply-side argument. Moreover, a more flexible real wage as well as freer hire and fire would encourage economic efficiency by a sort of "carrot and stick" policy vis-a-vis labour. More efficient workers could be paid higher (even internationally competitive) wages as "carrot", while labour discipline would improve through the fear of loss of jobs. A free exit policy would go a step further by weeding out inefficient firms and their "indisciplined labour". However, this quintessential neoclassical view loses sight of how aggregate demand is formed in an economy, i.e. how the size of the overall market where they collectively sell their products is influenced by such "flexible" labour market policies. A general lowering of real wages redistributes income against the working population with a higher consumption propensity in general. Thus, private consumption demand declines. Both government consumption and investment also decline due to the financial discipline and credit restrictions imposed by the IMF-style reform programmes. More importantly, net exports contribute to aggregate demand as exports add to aggregate demand by increasing the size of our foreign market while imports do exactly the opposite by providing the foreigners with a part of our domestic market. In the Indian context, while exports have increased quite substantially during the period of structural reforms, imports have increased even more rapidly due to trade liberalisation. There is no indication that exports net of imports would increase so rapidly that it would solve the problem of aggregate demand in the foreseeable future. Increase in private investment could solve the aggregate demand problem in so far as the effect of investment expenditure gets magnified through the "multiplier process". But the picture has also been bleak in this respect. Unfortunately, so far, we have had relatively little DFI while most of capital inflows have been in the portfolio form which may "fly out" of the country at very short notice. Moreover, to the extent that a part of the foreign exchange earned through portfolio investments is used up to support the import bill in excess of export earnings, it would have a strong contractionary effect on the level of domestic economic activity and employment through the multiplier. As Bhaduri (1996) emphasises, it is analytically wrong to mention that simply more efficient foreign import is replacing inefficient domestic production to enhance competition. This is merely the initial impulse in the multiplier process. Subsequent to that first-round effect, some domestic workers lose their jobs and domestic profits of industry also decline. This reduces purchasing power in the economy leading to further contraction in output and employment in the successive rounds of the multiplier. These successive rounds of contraction fall on all domestic producers, both efficient and inefficient, Thus, the point is that foreign capital flows in a liberal trade regime, unless either are in the form of DFI, or matched by a corresponding increase in domestic investment through appropriate financial intermediation, would tend to have a contractionary impact on the economy. Since the recent economic reforms and monetary policies have not only allowed the interest rates to rise drastically but even more disastrously used the higher interest rates at home to attract portfolio investments from abroad, any such financial intermediation is extremely difficult. Whatever cost advantages a lower level of real wages in a flexible labour market might give to the Indian entrepreneur, would tend to get neutralized largely by the higher cost of borrowing finance for investment, especially for working capital, due to the steeper lending rates by the banks. And since this happens in a depressed macroeconomic situation where most of the major components of aggregate demand decline due to the economic reforms, they generate negative feedbacks in the form of a "reverse acceleration" type effect on the level of investment. In this scenario, no degree of labour market "flexibility" and other similar supply-sided measures are likely to be effective. The alternative lies in going for larger and worth-while public investments with little direct import content (e.g. water control, rural communication, land utilisation, etc.) in agriculture where labour productivity is lagging behind increasingly over time in relation to the national average. Most of the labour market flexibility discussion applies to the organised industrial sector which is quantitatively far less important. An important point in this connection to be noted in the post-1991 period is the increase in labour productivity in the secondary sector in relation to the national average. Given that existing evidence does not seem to suggest a neutralizing increase in real wages of the manufacturing sector, labour cost per unit of secondary sector output most probably declined. Thus, the argument about the desirability of making real wages flexible downwards for improving the profit margin of manufacturing does not seem to be empirically so well grounded in India. This tentative conclusion of Bhaduri gets firm empirical support from Nagaraj (1996) who argues that the ILO (1996) report's thesis of lack of wage flexibility in the organised sector is unsustainable; for, his estimates of unit labour costs — product wages divided by labour productivity —show clearly a rapid fall in the cost of employing a worker in the organised manufacturing sector over nearly two decades from the mid-70s to the early eighties.

In the light of the above discussion, it is now useful to underline that from the standpoint of labour, structural reforms will have to be evaluated by way of their impact on not only employment growth but also patterns of employment. And this task will be meaningful in the backdrop of the trends observed in the pre-reforms period.

III. EMPLOYMENT BEHAVIOUR IN THE PRE- AND POST-REFORMS PERIODS

It is now well-known that employment growth, particularly in the manufacturing sector, in India has been sluggish in spite of an aceleration in its income growth during the eighties. This resulted in a considerably low employment elasticity in the industrial sector which, in fact, turned out to be well below the elasticity in the primary and tertiary sectors. A large percentage of workforce still continues to be engaged in the primary sector as the rapid industrialisation of the eighties (in terms of output) remained virtually ineffective in bringing about a structural shift of workforce towards industry.

It is worth noting in this regard the findings of Bhattacharya and Mitra (1993) about the casualisation of employment in the 1980s based on the data of the Population Censuses, 1981 and 1991. According to their analysis, the overall growth rate of employment during the eighities as measured from these Censuses turns out to be 2.34 per cent per annum. The growth rates of employment across sectors, however, vary widely. The primary sector which bears the major brunt of employment in the economy has grown faster than the manufacturing sector, although one would expect it otherwise keeping in view the fact that manufacturing income has grown three times as fast as the primary sector in the eighties. Employment in the tertiary sector, on the other hand, has grown much faster than that in agriculture. Employment in the public manufacturing has grown at a fast rate of 2.8 per cent per annum. In contrast, manufacturing employment in the private organised sector fell in absolute terms during this period. This could be an outcome of the preference of employers in the private organised sector for capital intensive technology and/or casual workers against the high wage and highly protected permanent workers. The private unorganised manufacturing employment has grown rapidly to give an overall positive growth of employment in the private (organised and unorganised combined) manufacturing sector. It is well-known that much of the private unorganised manufacturing employment consists of casual employment. Therefore, the overall rate of casualisation, in the manufacturing sector seems to have increased during the eighties. The share of private unorganised component in the manufacturing activity, in fact, increased from 73 per cent in 1981 to 75 per cent in 1991. Even in the tertiary sector, the growth rate of employment is higher in the private unorganised than in the organised sector. Thus, there seems to be a general trend towards casualisation in the whole economy. Further, their analysis at the state level shows that, in general, in most of the states employment in the primary sector increased at around 2 per cent per annum during 1981-91. However, except in Bihar in all other states the share of the primary sector in total employment has declined marginally in 1991 as compared to 1981. Since the eighties have been the decade of industrial boom, almost all states have recorded a high growth rate of manufacturing income. However, except Gujarat and West Bengal, practically all states have recorded a sluggish growth of employment in this sector. As regards the tertiary sector, during the eighties most of the states have witnessed a fairly high growth rate of income and employment in the services. In all the states except Bihar the share of tertiary sector in total employment has increased in 1991 as compared to 1981. However, the relative share of the tertiary sector in total employment is still less than its corresponding share in State Domestic Product (SDP).

It is in this milieu that we must needs posit the priority objective of the Eighth Plan to generate adequate employment so as to lead to a near full employment level by the turn of the century (Planning Commission, 1995). Accordingly, the employment strategy was formulated as part of a ten-year perspective covering the period 1992-2002. Open unemployment at the outset of the Eighth Plan (April 1992) was estimated to be 17 million (of which 7 million were educated) or 5.3 per cent of the labour force of 319 million. Besides, 6 million of the workforce of 302 million were estimated to be severely underemployed in as much as they were without work for at least half of the reference week. A backlog of 23 million at the outset of the Plan was, therefore, assumed for planning purposes. Additions to labour force during the Eighth Five Year Plan period and the period 1997-2002 were estimated to be 36 million and 35 million respectively. This implied that the task of achieving a near full employment situation by the year 2002 would call for creation of around 94 million additional employment opportunities. To put it differently, according to the Plan, it should result in employment growth of 2.6 to 2.8 per cent per annum corresponding to an average annual rate of output growth of 5.6 per cent. In other words, additional job opportunities of the order of 8.5 million per annum, on an average, were envisaged during the Eighth Plan period. And a continuation of the strategy during the subsequent five year period 1997-2002 is expected to lead to the generation of 9.5 million additional employment opportunities per annum, on an average, during the period and to reduce unemployment to negligible levels by 2002.

The Plan sought to adopt a decentralised and diversified strategy of faster growth of employment intensive sectors, sub-sectors and activities to achieve the desired levels of growth of employment corresponding to the rate of growth of 5.6 per cent per annum, on an average, envisaged for the economy in the Plan. The main elements of the strategy, which have also been endorsed by the NDC Committee on Employment, were as follows: (i) A faster and geographically diversified growth of agriculture, so that the hitherto lagging regions have a larger share in agricultural growth; and diversification of agriculture into high value, more labour-intensive crops like vegetables and fruits, particularly in the agriculturally better developed regions; (ii) Development of infrastructure and marketing arrangements for agro-based and allied activities like dairy, poultry, fishery and sericulture to accelerate growth of these sectors; (iii) An expanded programme of development and utilisation of wastelands for crop cultivation and forestry; (iv) Development of an appropriate support and policy framework for the growth of non-agricultural, particularly manufacturing activities, in rural areas, including rural towns; (v) Greater attention to the needs of the small and decentralised manufacturing sector as a major source of industrial growth, particularly in the production of consumption goods and manufactured exports; (vi) Large scale programmes of construction of infrastructure and residential accommodation, the latter to be encouraged particularly in the private sector through appropriate land, financial and fiscal policies; (vii) Strengthening of basic health and education facilities, particularly in the rural areas; (viii) Facilities for faster growth of the services and informal sector activities through greater ease of entry and suitable support systems; (ix) Identification and relaxation of legislative and policy measures found to restrict growth of employment; (x) Greater flexibility in special employment programmes and their integration with sectoral development with a view to ensuring their contribution to growth and sustainable employment; and (xi) Revamping of training systems to introduce greater flexibility and responsiveness to labour market trends, and larger involvement of users of the system's output, and to provide opportunities for upgradation of skills of the employed workers and also, for the development of entrepreneurship for the actual and potential self-employed.

Having thus far examined (a) the actual employment behaviour in the pre-reforms period and (b) the employment strategy of the 8th Plan, we now move on to the employment scenario in the post-reforms period based on the pessimistic accounts of several scholars on the one hand, and the optimistic account of the Planning Commission (1995) on the other. There is no disagreement between the ideologues and detractors of reforms about the sharp slowdown in economic growth and, therefore, employment growth during 1991-92. Stabilisation policies for containing fiscal and current account deficits are inherently contractionary in nature and tend to depress output growth and, therefore, employment growth and thereby increase the unemployment rate in the short run, as was also noted by the Eighth Plan document in India, and even the strongest advocates of reform such as Corbo, Fisher and Webb (1992) and Bourguignon and Morrison (1992) abroad. However, there are serious differences of opinion in respect of the medium term and long term prospects for employment generation due to the simultaneous initiation of structural adjustment process along with the stablisation process. In this connection, let us consider the results of some projection models. On the basis of an extensive analysis of the various rounds of NSS surveys, Visaria and Minhas (1991) argued that in view of the resource crisis and other structural rigidities, the organised sector would be unable to provide a high growth rate of employment in the coming years. Therefore, a large majority of nearly 80 million persons who would join the labour force during 1990-2000, will have to find work as self-employed and casual workers and, therefore, the scope of employment planning in India is likely to be further eroded.

According to Bhattacharya and Mitra (1993), the overall contribution of the manufacturing sector to total employment during the 1990s would be limited due to two reasons: (a) low employment elasticity and employment share of the manufacturing sector and (b) declining employment elasticity in the 1980s in this sector despite an acceleration in the income growth. According to them, the focus of structural reforms is mainly on industrial growth through liberalisation and globalisation, and as such this strategy is unlikely to solve the problem of employment even after a considerable period of time. Presuming that structural reforms would make little impact on the employment elasticity in various sectors in the short-run, and under the alternative assumptions about moderate and accelerated sectoral growth rates which the structural reforms are likely to bring in, they have projected sectoral employment and hence total employment figures for the years 1993-94, 1994-95 and 1995-96. These figures are well below the workforce figure projected from the 1991 Census on the basis of its growth rate during the 1980s. This is over and above the unemployment that may be created by population growth and other factors. In other words, the rise in unemployment following the structural adjustment programme appears to be more than what would have been otherwise. Although the difference between the projected workforce figure and the projected employment tends to decline under the accelerated growth scenario after the year 1993-94, it continues to be non-zero even by the year 2000-01 so much so that the component of rise in unemployment due to structural adjustment programme would continue to persist for a long time instead of appearing merely as a transitory phenomenon as believed by many of its advocates. If the GDP growth rate fails to accelerate, then the unemployment situation may even be worse. An interesting point that they mention is that in some of the East Asian countries (e.g. Korea and Taiwan), the outward looking structural reforms were launched after the share of agriculture in total workforce had already declined considerably. This was one of the major contributing factors to the success of the export-led growth strategies in these countries. In other words, the surplus labour released from agriculture was available to the manufacturing sector at a low wage which facilitated the expansion of exports of labour-intensive manufactured goods. In contrast, structural adjustment in India is launched at a time when the share of manufacturing employment is very low and that of agriculture is still very high. Thus, even if the structural reform programme succeeds in accelerating the growth rate of industrial output, it would take a considerable period of time to have any impact on the overall employment growth and structure.

A dominant argument in favour of low employment elasticity in manufacturing in the 1980s is in terms of the distortions in the labour market caused by the government regulations and trade unionism (Lucas, 1988; World Bank, 1989; Fallon and Lucas, 1991; Ahluwalia, 1992; Ghose, 1994). In the light of this view, if the employment eleasticity increases following labour market deregulation, the employment situation may improve according to Bhattacharya and Mitra (1993). But it is unlikely to occur in the short run and, therefore, in the immediate future the employment situation would continue to remain critical. Moreover, even if the structural reform programme is implemented faithfully in terms of labour market reforms, the increasing proportion of the rise in manufacturing employment may be in the form of casual/contractural employment with a relatively low wage. In which case, although the growth rate of employment may increase or the unemployment rate may decrease, the relative share of wage income would fall along with deterioration in the quality of employment opportunities generated in terms of income, productivity and conditions of work.

In this connection, it is very important to note that informalisation of the economy and casualisation of workforce have been remarkable features of liaberalisation. These features are not new developments in the post-reforms period, but they have been on the rise in the creeping liberalisation period since the mid-60s through the eighties (Ghose, 1992). Viewing the eighties as the decade of deregulation, Deshpande and Deshpande (1992a) have argued that women employment in the manufacturing sector in India has been increasing both absolutely and proportionately. This feminisation of labour market is nothing but a manifestation of casualisation. Davala (ed.) (1992) shows vividly that full time permanent employment in the organised sector has been declining and that various forms of insecure work such as contract, temporary and casual labour have been on the increase over the decade of the eighties. Several studies which demonstrate the existence of linkages between formal and informal sectors through recycling of waste products from large plants, subcontracting, marketing and purchase of inputs and raw material and the establishment of parallel facilities or split units by the large units in the small sector (Nagaraj, 1984; Samal, 1990; Shaw, 1990; J.C. Bose, 1996) often point to the relationship between these two sectors as one of subordination and exploitation. Hence, with liberalisation, shift of employment from the organised to the unorganised sector would be enhanced further which would result in further deterioration in the levels of living of the informal sector workers in particular (Nath, 1992; Ghosh, 1995). Kundu (1993) argues that the sectors reporting a high degree of informality in terms of their share of self-employed and casual workers and the percentage of workers engaged in the industry of their household are agriculture, trade and construction. These do not report a high disparity between the wage rates of regular and casual workers. This is because the distinction between the two types of employment is not very clear and consequently the wages for regular employees also tend to be low in these sectors. The growth of employment in these sectors can, therefore, be taken as growth of the informal component in the urban economy. Employment has, of course, increased in other sectors as well—those with a high proportion of formal/organised fixed cost permanent workers, viz., electricity and gas and certain manufacturing activities. Even here the share of self-employed and casual workers has increased over time. Importantly, the wage differential between regular and casual workers is very high in these sectors and has gone up over the years. This is helping the process of subcontracting of jobs to smaller units, casualisation of workforce, etc., that allow the use of cheap labour from informal/unprotected labour market.

According to the projection model analysis of Agarwal and Goldar (1995), there are two conclusions: (a) economic reforms by themselves are unlikely to raise the growth rate of employment in the 1990s to a level much above the growth rate achieved during the 1980s; and (b) the attainment of the goal of full employment by 2002 depends critically on the Government's ability to raise significantly the employment elasticity in agriculture by pursuing appropriate policies.

The Planning Commission's (1995) view is that the sharp slow down in economic growth and, therefore, employment growth during 1991-92 has got reversed soon. The growth rate of the economy in the first three years of the 8th Plan has averaged at about 5.46 per cent per annum, slightly lower than the rate targeted in the Plan. And employment growth during the first three years has been assessed to be higher than in the preceding five to seven years on an average. This is despite a lower rate of growth of the economy during this period as compared to the earlier years and is attributable to the fact that the pattern of growth during these years is observed to have become more employment-oriented. There is a noticeable shift in favour of sectors and subsectors identified as the ones with higher employment content, as compared to the growth pattern experience during the preceding ten-year period 1981-82/1991-92. Among the major sectors, a faster growth of agriculture, trade, transport and services is expected to lead to higher growth of employment in the aggregate, and the growth of these sectors has been relatively faster even in a low growth scenario during 1992-95. A more significant change towards a better employment orientation of growth is seen in the subsectoral composition of growth during the first two years of the Plan for which data at a somewhat more didaggregated levels are available. As a result, employment growth during 1992-95 has been somewhat better, despite a lower rate of GDP growth, than in the preceding five or seven year period. In the absence of direct reliable estimates of employment and unemployment from comprehensive sample surveys for a recent period, estimates of additional employment generated in the first three years of the Eighth Five Year Plan have been made on the basis of Provisional Estimates of GDP for 1992-93, Quick Estimates of GDP for 1993-94 and Advance Estimates of GDP for 1994-95 released by the Central Statistical Organisation and estimates of employment elasticities made in the Planning Commission. According to these, additional employment opportunities of the order of 18.78 million are estimated to have been generated during the first three years of the 8th Plan, implying an average rate of employment growth of 2.03 per cent per annum. This rate has been higher than the average annual rate of growth of employment of 1.78 per cent during the preceding seven years, 1985-92. About half of the additional employment is estimated to have been generated in agriculture and allied sectors. The other major contributors to employment growth are the trade and transport sector, the manufacturing sector and community, social and personal services.

Thus, according to the Planning Commission (1995), employment growth during 1992-95 has been better than in the past five or seven years and additional employment opportunities have averaged to 6.3 million as compared to 5 million in the earlier years. Estimate for the year 1994-95 is 7.18 million. The rate of employment growth in the first three years of the Plan (2.03 per cent) has, however, been lower than the average annual rate of growth of 2.7 per cent envisaged in the Eighth Plan. The shortfall has primarily been due to the rate of growth of economy (4.6 per cent) falling short of the average targeted rate of growth of economy of 5.6 per cent. The rate of growth of employment needs to average at 3.64 per cent per annum during 1995-96 and 1996-97, if the employment objectives of the Plan are to be realised. In other words, about 12 million additional employment opportunities would have to be generated during each of these two years. Even if the employment intensity observed in the first three years of the Plan improves further in next two years, the economy would have to grow at an average rate of 7 per cent per annum during the period 1995-97. The current assessments of the prospects of growth of the Indian economy in the coming years, according to the Planning Commission, suggest that a growth rate of over 6 per cent is not only feasible but could realistically be expected.

Employment performance of agriculture strongly influences overall employment growth, because of its continuing predominant share in total employment. In large parts of the country, agricultural growth would continue to significantly contribute to employment growth. It is, however, necessary to increase public investment in agriculture, especially for strengthening irrigation and other rural infrastructure in backward areas so that sustained agricultural growth and, therefore, acceleration of employment growth is facilitated. An increasingly larger component of rural manufacturing now consists of non-traditional activities with reasonably high income elasticity of demand for their products. Substantial expansion and diversification of these activities is possible through promotional policies and efforts particularly in respect of infrastructure, improved access to credit, technological upgradation and training in entrepreneurial development and marketing support.

The growth of manufacturing sector has picked up after remaining stagnant in the first two years of the Plan. This tempo of growth is likely to be maintained. With the liberalisation of industrial licensing and foreign investment, it is, in fact, likely to get accelerated. Between August 1991 and October 1994, a total of 5,149 foreign collaboration proposals and 2,544 foreign investment proposals involving Rs. 23,900 crores were approved and 16,100 Industrial Entrepreneurial Memoranda (IEMs) involving domestic investment of Rs. 325,580 crores were filed. The latter alone are expected to lead to direct additional employment of about 3 million and the total direct and indirect employment effect of both foreign and domestic investment would, of course, be much larger. The decentralised sector, which contributes about three-fifths of the output and four-fifths of the employment in manufacturing, has maintained a steady rate of growth in output and employment. Most significant has been the contribution of the small scale industry segment of manufacturing. This sector has shown significant allround growth in terms of output, employment and exports. Consumer goods industry accounts for two-thirds of manufacturing employment and a little over one-third of GDP from manufacturing. It includes a major part of the small scale sector. A large domestic demand for a variety of consumer products offers tremendous scope for expansion of output and more so of employment in this sector, Domestic decontrol and delicensing of some industries still under the licensing regime is expected to have favourable implications for their growth and employment generation.

Exports have shown a significant growth during 1992-95. Among the major export items which have relatively high employment elasticity and have also shown fast export growth are cashew, oilseeds, marine products, leather footwear, transport equipment, electronic goods, gems and jewellery, readymade garments and handicrafts. A continued buoyancy in exports of these items will contribute to employment growth. Employment in tourism has experienced a growth rate of 5.9 per cent per year over the eighties and early nineties. Studies made by the Department of Tourism show that investment in the organised tourism sector is about Rs. 1,000 crores per year and that this level of investment is capable of creating 2,60,000 jobs per year in the organised sector.

Employment in the construction grew at about 0.85 per cent per annum during 1992-94, due primarily to the slow growth of this sector. Activity in this sector, however, seems to have picked up during 1994-95, when GDP as well as employment is estimated to have grown by about 4 per cent. Transport and trade sectors have performed relatively well during the first three years of the Plan averaging a GDP growth of 5.7 per cent and employment growth of 3.4 per cent. Similarly, financial and business services have not only registered relatively faster growth, but have also improved their employment content over these years. With these trends continuing, an employment growth of over three per cent could be reasonably expected in these activities in the coming years.

According to the Planning Commission, on the basis of the above assessment of trends and prospects of growth and the employment intensity of growth, an employment growth rate of 3.1 per cent to achieve near full employment by 2002 appears feasible. It may, however, be recognised that the compulsions of raising productivity levels may lead to a reduction in employment content of growth in individual lines of production. To the extent this reduction is more than offset by changes in the composition of growth in favour of sub-sectors with relatively higher, even though declining, employment content and by the continuation and expansion of the various special employment programmes, the overall employment elasticity may increase. On balance, however, it would not be reasonable to expect an employment elasticity higher than 0.5, and could even be lower at around 0.45, nearer to what has been estimated for the 1992-95 period. Therefore, achievement of the goal of employment for all by 2002 A.D. would primarily hinge upon attaining a higher growth of GDP of about 7 per cent per annum on an average during 1995-2002. Most of the employment growth in the medium term, however, is likely to take place in the unorganised sectors. Organised sector employment, which constituted about 9 per cent of total employment in 1992, has grown at a rate of 0.36 per cent only during the first two years of the Eighth Plan. It is estimated to constitute 8.7 per cent of the total employment in 1994. To begin with, a significant part of the new employment is, therefore, likely to be at relatively low levels of productivity and incomes and to a large extent of the self-employment variety. In the relatively longer run, with a greater integration of markets and different segments of the economy as well as tightening of labour markets, quality of employment in the unorganised sector is expected to improve. In the meantime, special efforts would need to be made to ensure better access of the unorganised sector producers to inputs, infrastructure, credit and markets and special measures of welfare such as health, education, housing and a minimum degree of food and social security to the unorganised sector workers so as to improve their productivity and income levels on the one hand, and prevent deterioration in the conditions of work and quality of life on the other. At the instance of the Planning Commission, the Ministry of Labour has constituted a Working Group on Social Security for Unorganised Workers to review the existing social security schemes and recommend an appropriate model for adoption.

Finally, let us consider the arguments of an ardent critic of the structural reforms process in India (Ghosh, 1995). According to her, structural reforms since 1991 have resulted immediately in the reversal of the trend that was highly visible over the 1980s, viz., the tendency towards increasing employment diversification away from agriculture in the rural areas. Given the importance of public expenditure on this variable, this reversal may not be entirely surprising. Public expenditure in rural areas has reduced in several important ways: (1) by actual declines in government spending on rural development in the budgets, as well as cuts in the fertiliser subsidy; (2) through reduced transfers to state governments which have been facing a major financial crunch and have, therefore, been forced to cutback their own spending; (3) through diminished real expenditure in rural employment and anti-poverty schemes; (4) through declines in public infrastructural and energy investments which affect the rural areas; (5) through the reduced spread and rising prices of the public distribution system for food; (6) through cuts in social expenditure such as on education and on health and sanitation; and (7) through financial liberalisation measures which have effectively reduced the availability of rural credit. Thus, in the nineties so far, several of the public policies which contributed to more employment and less poverty in the rural areas have been reversed.

The massive increase in self-employment in cultivation suggests that the self-employed and casual workers displaced from non-agriculture appear to have reverted back to agriculture, leading to more disguised, instead of open unemployment. This, corroborated by the significant decline in real agriculture value-added per worker by over 9 per cent between 1989-90 and 1992-93 (both years with similar good monsoon conditions) and by the increase in rural poverty, suggests that the increase in agricultural employment is actually indicative of a 'distress' movement into agriculture from other sectors, as part of the survival strategies of rural households facing declines in real incomes. It is important, according to Ghosh (1995), to note that the reduction in rural non-agricultural employment occurred (all over India, with only Karnataka and Madhya Pradesh being the significant exceptions) not because of any large-scale retrenchment of regular employees by either the government or the private organised sector, but because of a cutback in activity in the unorganised sector along with some possible retrenchment of casual workers in the organised sector. In the urban areas, regular employment has continued to stagnate, especially in the organised sector. The increases in employment that are discernible are essentially in casual employment, and this is evident for both the secondary and tertiary sectors. However, these increases in employment are still below the estimated increases in urban population over this period. The continued process of casualisation of work in urban areas has to be seen in relation to two interrelated tendencies : (a) subcontracting of production and (b) the feminisation of employment (particulary in export-oriented activities), which signify the worsening of the wages and working conditions.

It follows from the above discussion that it is not easy to judge the impact of structural reforms on the employment scenario by veering completely towards either the pessimistic or the optimistic views. There is a lot of crossfire among the scholars on the subject matter, resulting in contradictory viewpoints and expectations. Further, whether the assumptions of the projection models hold good in reality is a bothersome question while more recent data analysis is required for more definitive conclusions. Furthermore, it is difficult to predict the employment scenario for the remaining years of the present decade because much would depend on the pace of reforms, the nature of deregulation, especially related to employment/unemployment like exit policy, Minimum Wages Act and social security, and the overall recovery of the economy and the sectoral and sub-sectoral pattern of the economic growth process, and, above all, on the political basis of reforms.

IV. LABOUR ADJUSTMENT PROCESS AND INDUSTRIAL RELATIONS IN THE MANUFACTURING SECTOR IN THE POST-REFORMS PERIOD

According to the 1991 Census, the total workforce was 306.8 million (37.68 per cent of the total population). Less than 10 per cent (26.75 million) of the workforce is employed in the organised sector, and over 90 per cent in the unorganised sector.

In India, the organised sector refers to the sector comprising public and private enterprises which are either registered or come under the purview of any of the Acts and/ or are maintaining annual accounts and balance sheets. Public enterprises include departmental and non-departmental enterprises. In the private organised enterprises are included registered manufacturing, mining and quarrying, gas and water supply, private transport companies, registered schools, colleges and hospitals, and corporate trading activities and services. In contrast, the unorganised sector comprises, exclusively, private sector employment which is, if at all, marginally affected or regulated by labour or industrial laws. The unorganised sector enterprises are usually very small (typically employing fewer than 10 persons).

When we consider the manufacturing sector separately, we note that organised manufacturing accounts for less than a third of its total employment. And it is in this organised manufacturing that there is organised labour and most of the labour legislation is actually applied. There are around 150 central and state laws governing labour and trade unions which are applied mainly to the organised industrial sector. According to Rao (1994), they bestow rights, privileges, facilities, remunerations and their increases with negligible linkage to performance of the individual or his contribution to the business results of the company. It is here that "surplus or redundant staff cannot be removed, and where displine and productivity in many cases cannot be enforced." (*ibid.*) By contrast, in the unorganised manufacturing sector as well as in most other unorganised employment, there is no job security, no indexation of wages through dearness allowance and no benefits relating to health care, etc. There is hardly any unionisation. The wages are generally low, and the working conditions harsh, exploitative, and largely unsafe. As Ramaswamy (1996) points out, the unorganised sector is the abode of the unprotected sector where there is not even the payment of statutory minimum wages unless enforced through collective effort, which is uncommon.

Some scholars (e.g. Rao, 1994) find fault with the Trade Union Act itself as it still permits people who are not workers, and who could be anyone, to form trade union, collect contributions, use it at their discretion and yet not be audited or taxed by the government. This has made the trade unions politicised and also a lucrative profession. Anyone can start a union, threaten the company with dire consequences and bring business to halt with almost total impunity, even though there may be other unions which may have an agreement in force.

While the organised labour is apparently associated with strong unionisation, it should be noted that unionisation in India hardly extends to a little over 2 per cent of the workforce (Sen, 1993). And as organised sector employment has stagnated, unionisation efforts have become more restricted. There is practically no unionisation in the small and even the medium sector units (Sen, 1995). According to Venkata Ratnam (1996c), barely 2 per cent of the workforce in the country participates in collective bargaining. Elsewhere he has pointed out (Venkata Ratnam, 1996a) that the employees covered by collective agreements on wages and working conditions comprise barely 1 per cent of the total workforce in the country. It should also be noted that within the organised sector (which has now, 8.5 per cent of the workforce), though unionsation rates vary from over 60 per cent (in large private sector firms) to over 95 per cent (in central public sector units), collective bargaining takes place in manufacturing and service industries, but not among civil services, defence services, etc., which account for majority of the workforce, and the power of this vocal, predominantly urban minority can be gauged by their concentration in about 30 per cent of the parliamentary constituencies. It is this feature of the organised working class which seems to give them strength disproportionate to their numbers (Venkata Ratnam, 1996a).

Unionisation in India partakes the following general trends observed all over the world from the late seventies (Sen, 1993): (1) there has been a decline in absolute membership of unions as well as in density of unionisation or percentage of workforce covered as more temporary and contract or casual non-unionised workers enter industry; (2) although the concentration of unions is in the organised sector of industry, secular stagnation or decline in permanent employment has affected the trade unions considerably; (3) there has been confusion over methods of trade action, particularly in terms of the unions' inability to counter new offensives from management and government and consequent changes in employment pattern; and (4) trade unions have been constrained in the area of organising new sections of workers or in storming the citadels of management prerogatives either through or outside collective bargaining.

In India, as Ramaswamy (1996) elaborates, the politically aligned federations and their affiliates at industry and enterprise levels are the most visible face of the organised labour movement. This *political unionism* is invariably associated with low density, disunity and internecine activities. Membership of this unionism is one of the everlasting mysteries in factories where multiple unions operate, and no one quite knows who belongs to which union, and how many workers are non-unionised. In recent times, as workers have grown tired of being divided on political lines, dictated to by political parties and dominated by external leaders with little interest in enterprise level matters, a new breed of unions has come into existence. These are commonly referred to as *infernal* or *independent unions* as they are anchored in the enterprise, led from within, and deliberately distanced from any kind of ideology or wider linkage. These unions ensure greater unity and higher membership density unlike political unions, but their disadvantage is in terms of not having wider linkages. Bombay, the premier industrial city and home of literally hundreds of these unions has no network to bind them together so much so that these unions find it difficult to mobilise fraternal support or gain access to the bureaucracy or the political executive of the state during a crisis. Further, it should be noted that neither the old (political) nor new (independent) unions have much interest in the unorganised sector. Their constituency is small, but there is a clear pattern to the way they have divided the pie, so to speak. The political federations have greater sway in the older, smokestack industries like textiles, coal mining, ports and dockyards, transport and plantations. Independent unions have a firm grip over such sunrise industries as fertiliser, pharmaceuticals, chemicals, petroleum refining, power generation, and electronics. Thus, independent unions are likely to become more and more significant.

The trade unions have been in general vocal in their opposition to the reforms as they are especially concerned about the possible drastic reduction of employment in the organised sector which is already thin and the reduction of the public sector which they themselves find it difficult, in some ways, to defend (Venkata Ratnam, 1996a). While the management has been pleading for relaxation of the rigidities of the Industrial Disputes Act (IDA) governing employment, the trade unions have been opposing the same (Guha, 1995).

The public sector workers are considered as the government's munificent gift to the political federations, the state being the largest employer. As Ramaswamy (1996) points out, the public sector is a category apart, distinguished from sunrise and sunset industries in the private sector by a centralising tendency, reflecting the bureaucracy's desire to control this vast empire. Noteworthy among its centralising features is the system of wage bargaining whose objective (although never fully achieved) is wage parity— a common wage pattern across a range of industries and enterprises that are inherently non-comparable.

The labour market in the organised sector is considered by many to be highly rigid because of the presence of protective labour laws and the attendant costlier and more difficult labour adjustment. This is said to have caused reduction in the demand for labour in the firms in the organised sector, irrespective of whether they are owned by the government or by the private sector. Lucas and Fallon (1991) have studied employment in 34 Indian industries, using the Annual Survey of Industries (ASI) data during 1976-82, and pointed to a long-term decline in the demand for labour at around 17.5 per cent. They noted significant inter-industry variations in this regard. Employment is estimated to have been reduced by more than 5 per cent in 25 of the 35 industries, and by more than 15 per cent in seven of them. The rate of decline in employment is estimated to be over 33 per cent in textiles. Another study (mentioned in Vankata Ratnam, 1996a) of 34 firms in Bombay from 1980 to 1990 estimated an average reduction in employment of 20.5 per cent over the decade. In the process, employers have substituted labour with capital embodying more advanced technology, thereby resulting, both in absolute and relative terms, in decline in the number employed in the firms in the organised sector. It may be noted here that the application of most labour laws increases with the progressive increase in the number employed in a firm. The more people a firm employs, the more the laws that apply to it. However, there are studies (e.g. ARTEP, 1993) to indicate that labour laws alone are not responsible for labour market rigidity; the mind-set of employers and managers, workers and unions, and above all the government as the regulator and enforcer is equally to be blamed.

According to Venkata Ratnam (1996a), changes in labour legislation during the Emergency in 1975 required prior permission from the government for layoffs, retrenchments and closures. And later on when the barriers to entry for foreign and domestic firms have been eased, exit restrictions still apply. The problem from the employers' point of view is not with prior notice for layoffs, retrenchments, lockouts or closuers, but with *legislative harassment* in terms of prior permission from the government to implement any of the above managerial decisions. According to the employers, permission from the government is generally elusive—after much procrastination, officials decline approval for closure without assigning any reason— and Labour Ministers agree that it is politically unwise for them to agree to closure or retrenchment. Litigation and court judgements that follow closures and retrenchments, if they somehow occur, could take decades. Employers, particularly the multinational companies, want a clear-cut exit policy from the government rather than be forced to beat the system by taking advantage of legal loopholes. Thus, from the employers viewpoint, the legal restrictions on introducing new work practices, introduction of new technology and modernization, adjustment of the workforce in line with changing business requirements through layoffs, retrenchment, closure of business, etc., are some of the most current and contrentious issues in the wake of the ongoing economic reforms. Managerial responsibility for the decisions on the above has been questioned repeatedly, in the past, before courts of law. Even judicial interpretation on matters of principle, rights and interests, has often been unpredictable and subject to judicial activism.

In this milieu, industrial relations experts (e.g. Venkata Ratnam, 1996c; Rao, 1994) opine that job security is a function of a firm being competitive enough to survive and prosper. And if new technologies warrant workforce adjustment, it must be done to ensure that the enterprise is viable, profitable and competitive. Prior approvals concerning notice of change should be done away with to facilitate this. India should follow most industrialised and industrialising countries where there are no mandatory provisions on prior approval, and the countries which had these are now repealing the relevant sections/sub-sections, so that both employers and employees are benefited. According to Vekanta Ratnam (1996c), employees stand to benefit for two reasons: (1) In the context of liberalisation, mergers, acquisition, takeovers, and strategic alliances would be the norm than the exception. Therefore, workers are more likely to be affected mostly through ownership changes. In India, the Industrial Disputes Act does not mandate prior approval for transfer of ownership so that in the context where the same Act mandates prior approval for notice of change of work practice, layoff, lockout, retrenchment and closure, the employers can achieve both the objectives of closure and retrenchment through transfer of business/undertaking to one's kith and kin; and (2) Workers are also likely to be affected by arbitrary denial of permission to enterprises not to change, not to adjust, and not to exit. In India, it is common knowledge that closure takes over two decades and in many cases workers' compensation and dues are held up usually for such a long time, and many of the resources locked up in the units in limbo or stalemate could otherwise be put to profitable use to recreate some of the jobs that are already lost.

Whether indeed the labour market in the organised industrial sector is rigid due to labour laws, unions, etc., is debatable. For, the review of macro level data reveals substantial increase in shares of flexible labour categories in manufacturing employment. This informalisation of what is traditionally considered formal employment has taken place along with the growth, absolute and relative, of the traditional informal employment. Rates of unemployment have been high particularly among the young entrants to the labour force. Registered unemployment has increased fast. All in all, the macro level evidence has shown that the labour market has become conducive to adoption of flexible labour practices. Further, analysis of micro firm level data (Deshpande and Deshpande, 1992b) has shown that employers varied total employment, manual and non-manual taken together, much the same way as micro economic theory predicts. Restriciting to the results that were statistically significant, it was found that firms which experienced an increase in demand, increased employment and it was the medium and the large firm, supposedly constrained by unions and protective legislation, that increased it more than the small firm with all the flexibility at its command. As predicted by micro theory, firms that increased fixed capital per worker reduced employment and so did others which experienced a rise in share of labour cost. Importantly, it is the firm which increased the share of non-permanent labour that increased total employment. Changes in manual employment were associated directly not only with changes in share of non-permanent but also with those in shares of female and contract labour. Thus, according to them, the labour market in Bombay is quite flexible. According to Venkata Ratnam (1996c), in the past, when there was no pressure, employers—private, public and multinational—did not care. But since the mid-80s, tremendous restructuring has taken place in the chemical and pharmaceutical firms in Bombay where the average reduction of workforce due to competency enhancement drives and introduction of new technology was at least 20 per cent. Moreover, an analysis of collective agreements (Venkata Ratnam, 1990) reveals that most of them have been unusual in that the unions have not resisted changes in the workplace. According to Muralidharan (1995), for a long time managements in India have followed Taylorism and the trade unions have reacted by creating rigid job boundaries. However, in recent times, some amount of multi-skilling and job flexibility has been introduced. Furthermore, many employers in the private sector have been effecting illegal closures by deliberately not paying their dues to public utilities, banks, suppliers, etc. (Venkata Ratnam, 1996c; Chowdhury, 1996). As Venkata Ratnam (1996a) points out, employers in the large-scale sector are able to have their way in this connection, and when courts slap verdicts that entail financial commitments that employers really consider would render their units unviable, they are able to impress upon unions to agree to less favourable terms for the workers than those awarded by the courts or simply to start proceedings for sale or closure. In some states, the High Courts have agreed that prior permission for closure is not always necessary. This is not all. Several studies about strikes and lockouts reveal considerable decline in the power of the unions, and rise in managerial dominance over the unions. As Ramaswamy (1996) sums up in this regard, the incidence of strikes has declined in the decade since the collapse of the Bombay textile strike in the early eighties, although conflict persists. But reflecting the changing power equation, the offensive lockout (as distinct from a defensive one responding to a strike) has emerged as the strategic weapon of the employers, especially in the private sector. Even in the Marxist-ruled state of West Bengal, strikes are considered un-Marxist, and lockouts have been accounting for between 80 and 90 per cent of the mandays lost due to industrial conflict. And many multinational companies have used extended lockouts to bring labour to heel. This is not all. Several micro-level studies (e.g. Goyal et.al., 1984; Ramaswamy, 1988; Frensen, 1991; Mathur, 1989) have brought out that there has been an aggressive shift of employment from the organised sector to the unorganised sector through subcontracting apart from the emergence of atypical employment practices where those who work for the organisation do not have an employment relationship but a contractual relationship. As Ramaswamy (1996) points out, the organised sector has not grown because work is siphoned off to the unorganised sector to take advantage of cheap labour. According to Rao (1995), the private sector units including multinationals have shifted production from the organised to the unorganised sector for also taking advantage of tax holiday and other incentives. For example, there has been the shifting of production activities from Bombay to hinterland Maharashtra or elsewhere by the multinationals. They are also known to take over sick units and run them till tax holiday is available. At the end of this period of fiscal relief, these units are manouvred towards closure. This shift to bring down labour costs and benefit from tax incentives destabilises the urban local labour market and adds to the pressure of unemployment. In the public sector, it is found that the legal and regulatory controls of the government are often neutralized by informal arrangements by the government departments and state-owned enterprises, particularly with respect to contract labour, guidelines on pay, etc. For example, several departmental and non-departmental government enterprises themselves violate the provisions of the Contract Labour (Abolition and Regulation) Act (Ramaswamy, 1996).

So much on the existence of labour market rigidity or flexibility in the organised industrial sector in India. Now that structural reforms have deliberately sought to integrate our economy with the rest of the world, the enterprises in India are no longer insulated and they face increased competion from within (domestic companies) and without (multinationals). In this context, adjustment at the enterprise level means bridging the gap between the current and expected levels of performance. This means that in the 1990s and beyond, competitiveness and enterprise viability and profitability become the mainstay. Industrial relations policies concerning modernisation, technological and other changes and adjustment and flexibility at the enterprise level are expected to reckon with these imperatives. However, preparing the enterprises for competitiveness may entail, in the short run, job loss in sick and unviable firms and job displacement (through retraining and redeployment in growing and profitable ones). Even those which are currently profitable and growing need to adjust proactively to avoid potential sickness. In this connection. The industrial relations experts refer to the ILO Convention No. 158 and Recommendation No. 166 on Termination of Employment at Employer Initiative which recognise that technical, economic, structural and other changes may warrant workforce reductions. Further, a study by the World Bank (1995) is referred which points out that the world over there is evidence that wages have grown significantly only when there is real and lasting improvement in productivity. And, employers are generally not interested in keeping wages low, but in keeping wage costs per unit of output low. The latter is possible without necessarily making labour work more intensively.

In this backdrop, let us now consider the changing managerial strategies in the context of new economic policies in India since 1991. Most of these strategies do not have any discontinuity with those already observed from the late seventies through the eighties; they are now rampant in the private organised sector although the strategies and the relative importance of each of them differ among the companies (Shrouti and Nandkumar, 1994; Shrouti and Daur, 1995; Davala, 1995; Ramaswamy, 1996).

First, there has been a systematic transfer of jobs from the bargainable or unionised category to the non-bargainable or non-unionised category by means of redesignating the employees as Officers, Jr. Executives, Supervisors, etc. At the upper echelons of technology, some elite firms have dispensed with "workers". For example, Modi-Xerox, an affiliate of the American Rank Xerox, not only does not have anyone who carries the designation "worker" but encourages employees to aspire to upward mobility rather than this lowly status. A high technology thermal plant has managed to avoid employing workers by entrusting production (consisting essentially of monitoring automated process) to supervisors and managers, and maintenance (which is more labour intensive) to contractors. In just Bombay alone, the private sector industry has reduced its bargainable workforce by 48 per cent between 1981 and 1994 in the organised sector (Rao, 1995).

Secondly, recruitment in the bargainable category has been literally banned. Thirdly, there has been transfer of production to the unorganised sector or 'greenfields' through subscontracting or 'loan licensing'. There are extreme cases where the entire production has been transferred while workers in the main plants sit idle without any work. It is now an open secret that the textile industry has shifted weaving operations to power looms, and that the drugs and pharmaceutical business has taken advantage of 'loan licensing' to produce its branded goods through the informal sector. There has also been shifting of production out of the industrial centres to the backward areas where the government of India offers several concessions to employers for setting up their plants. But these concessions have been used by the management for reducing the bargaining power of the unions in the industrial centres. In these parallel units, the technology and the plant layout is such that the management is having better control over the production process and gets better productivity, especially by exploiting the 'green labour'. As these units are technologically more advanced than those in the industrial centres, the low-wage employment they create is much less.

Fourthly, the use of contract labour as against their employment on a permanent basis is increasing at a very high rate. The most surprising thing that needs to be noted is that all the jobs contractualised are of a permanent nature and as per law, award of these works to contractors is not permissible. Further, the service conditions of the workers employed by contractors are inferior to those of permanent workers. In most cases, contract workers have been denied even statutory minimum wages, leave alone other service conditions. Even in a few cases where the contract workers have separate unions, the managements have categorically mentioned in all the bipartite settlements that all the service conditions applicable to the permanent workers do not hold good for them. Here it should be noted (Noronha, 1996) that employer-sponsored unions backed by muscle power are involved in contractualising the jobs. For example, the Bharatiya Kamgar Sena (BKS) is often used for breaking established unions. The Sena uses contract killers and crime syndicates to settle inter-union and intra-union squabbles. It also brokers deals with managements, permitting them to cut the strength of the permanent workers and use contract labour. Such deals are lucrative for the Sena as on the one hand, managements are charged fee for enforcing the deal and on the other, 'shakha pramukhs' are awarded the contract of supplying the temporary workers.

Fifthly, some companies are introducing various changes in the production methods in the name of Total Quality Management (TQM) whereby many middle managerial and supervisory jobs are eliminated and the responsibilities of the remaining workers are increased. The management is moving from Taylorist-Fordist models to the new concept of *business reengineering*, the basic thrust of which is multi-trade and flexible jobs. This means that if one person is able to perform various jobs, his capacity will be utilised fully ;and he or she will be more productive. Owing to this concept of reengineering, various traditional jobs are becoming redundant, especially white collar jobs. Trade unions and workers are, however, not fully aware of these post-Fordist organisational changes. Some unions are aware of these changes but are not able to react properly. In Hindustan

Lever, the management even introduced cameras and computers on the shop floor so that top managers can monitor shopfloor activities from their cabin.

Sixthly, in recent years, there is an ascendancy in managerial rights. As Venkata Ratnam (1996a) points out, due to the economic crisis and the need to improve productivity there have been innovative approaches in collective bargaining. In order to save the ailing firms and the threatened jobs, unions and management, particularly the former, have agreed on a variety of concessions including wage and employment cuts, wage freezes, freezes in allowances and benefits, voluntary suspension of trade union rights, changes in work practices, flexible deployment of the workforce, and agreements on modernisation and flexibility to increase production and profitbility. New technologies, structural and other changes seem to have put unions in a much more vulnerable position today than at any time in the past. Productivity bargaining, though gaining currency, is yet to make much headway in view of the complexities in the measurement of factor productivity and sharing of gains due to lack of mutual trust and acceptance. It is interesting to note that several collective agreements have clauses and chapters which make copious references to globalisation, competitiveness and flexibility. While some establish a process for the parties as to consult each other over changes in work organisation or work performance, others waive such a process and accept managerial responsibility and even, in quite a few cases, managerial prerogative. While in the past computerisation and modernisation were shunned over fear of jobless growth, today there is hardly a case where they are resisted. The only exception is that such changes should not lead to retrenchment though they may entail retraining and redeployment (Venkata Ratnam, 1996c and 1996d). Whenever the unions have opposed the managerial strategies, the managements have simply responded to it by declaring lockout instead of going into a negotiation process. Lockouts have been used against workers to achieve the managerial objectives including ceiling on dearness allowance, higher productivity (higher than the ILO norms), flexibility, reduction in public holiday and leave, increase in working hours, longer settlement period, increase in production, etc. It must be kept in mind that production does not get affected due to the restructuring of production achieved by the management during lockout or strike period. The success of the new managerial strategies was visibly demonstrated recently when Hindustan Lever (an associate of the Anglo-Dutch multinational) posted its highest profits and distributed the largest dividend even though its biggest manufacturing facility was under a year-long lockout. With the market well-supplied by small-scale producers, running the plant was no longer of strategic importance to capital. The locked-out workers resorted to all kinds of strategies, including hawking on the streets of Bombay a rival brand of detergent called 'Lockout' produced by the same subcontracting firms Hindustan lever used; but they had to back down because unlike them their employer could hold out indefinitely.

In several cases, the management has achieved flexibility through subcontracting as well as flexibility through multi-trade jobs without discussing the matter with workers by using pressure tactics during negotiations or by changing the union or leadership. In most cases, managements have succeded in increasing productivity and flexibility by signing the settlement with a minority union. As Shrouti and Nandkumar (1994) point out, labour is one of the many factors affecting productivity. But other factors are generally neglected and workers are blamed for lower productivity. For example, in Kamani Tabes, before the workers' takeover, wastage was around 8 per cent of the turnover and after the workers' takeover, it was reduced to less than 1 per cent. Ultimately this resulted in higher productivity. Thus, it is important to note that only workers will be able to show proper methods of reducing wastage.

Seventhly, management in several large units has been deliberately using sickness as a means of profitable business. It should be noted here (Rao, 1995) that industrial growth in the 1980s and 1990s has been accompanied by increased incidence of industrial sickness and closures both in the traditional and modern sectors. The largest number of sick units are found in the leading industrial states of Maharashtra, West Bengal and Gujarat. Although the large and medium units are less than 1 per cent of the total sick units, they account for more than 73 per cent of the outstanding dues of the banks. In all the cases studied by Shrouti and Nandkumar (1994), the major reason for sickness was mismanagement, siphoning of money and lack of professional management. There are very few cases where workers and unions were responsible for sickness. However, the management usually blames the workers for sickness. But the truth is that in a number of companies, the management in collusion with bank officials deliberately declared their units sick in order to grab various concessions from financial institutions and the government. Moreover, industrial sickness enables the employers to default on the workers' past dues especially with regard to Provident Fund, ESI contributions, Gratuity, Bonus, DA, etc. While lockouts and closures have been used to settle all wage demands and effect retrenchments, industrial sickness and threat of closures in the organised sector have virtually forced many unions to sign away all past gains and also accept substantial job cuts (Shrouti and Daur, 1995). All rehabilitation packages approved, jointly, by the BIFR and banks, financial institutions, etc., have included long-term bilateral agreements between the promoter(s) of the industry and union(s), as a necessary sacrifice by the labour. These agreements have the following features in common: (a) enhanced hours of work as also flexibility in rescheduling working hours, holidays, earned leave, etc; (b) work load norms go up; (c) wage freeze, if not outright wage cuts, for a period ranging from 3 to 4 years; even minimum wages are cut down; (d) voluntary retirement schemes (VRS) for reducing labour; while golden handshakes are the preserve of the management staff, workers' get what may be called 'lead handshakes'. Mostly, fear about the future of their jobs is the key to the workers' acceptance of a lumpsum as a separation amount under the VRS; and (e) outright retrenchment of certain number of workers.

Finally, let us focus on how workforce adjustment has been achieved under the garb of VRS. In the absence of social insurance and unemployment benefits, there is naturally widespread concern about the thin organised sector employment becoming even thinner in terms of employment. The government has constituted a National Renewal Fund (NRF) with contributions through budget allocations, World Bank grants and allocations from public sector disinvestment proceeds. Though the avowed objective of the NRF is to provide retraining, redeployment and compensation for voluntry seperations, as Venkata Rathnam (1996a) points cut, so far the fund has been used mainly to finance voluntary separation schemes. Thus the NRF, set up in the wake of structural reforms, has only aided and abetted involuntary retrenchments (retirements) than renewal. Therefore, some trade unions began to describe it as a 'National Burial Fund'.

As several companies are busy preparing plans for workforce reductions to make their operations viable and competitive, trade unions are asking such companies whether progressive reduction of the workforce constitutes an essential part of Human Resource Development strategies and whether it should necessarily come from liquidating the workers. For, as Reddy (1995) points cut, companies appear to be inequitable in their approaches as they look at labour redundancies without touching possibilities of managerial redundancies. In a few public enterprises, it was paradoxical that the workers were prepared to discuss the matter of labour redundancies, but the officers' association refuted any possibility of fat in their ranks. Moreover, as both Reddy (1995) and Mehta (1994) point out, downsizing or effecting workforce reductions does not help productivity if we go by the ample evidence unearthed in England and the US where obsession with downsizing as the easiest way of cutting business cost, raising profits and becoming competitive by ignoring other determinants of success such as changing products resulted in longer and harder work for the remaining employees leading to increase in stress and consequently discontent, lowering of creativity and risk taking, undermining of corporate loyalty, collapse of employee morale, and consequently no increase in efficiency and improvement in profits. As Mehta (1994) remarks, growing unemployment and social unrest "release divisive, manipulative and immoral forces in the society which affect the social life including education and the workplace negatively. Thus, privatisation and liberalisation which the new economic policy is stressing as new 'mantras' may achieve just the opposite of 'competitiveness'. It may demoralise the society and seriously damage the very core of the cherished values of co-operation, sharing, savings, long-term perspective, challenge and risk taking, creative problem solving and innovativeness which are essential for achieving competitive excellence." The point is that the absence of active labour market interventions with concrete proposals for productive job creation, reduction in the gap between skills available and skills in demand, and an appropriate institutional framework for retraining and redeployment are some of the aspects which have not gained enough attention in the context of structural reforms (Venkata Ratnam, 1966a).

So far, 99 per cent of the NRF funds has been used to finance the voluntary separations of around 80,000 employees in sick public sector units. In this connection, it may be noted (Venkata Ratnam, 1966c) that since 1991, 179 sick public sector units (central and state) were referred to the BIFR, of which 135 were registered. In 11 cases winding up was recommended and in 10 cases the notice was actually served. Five such cases are pending before courts. In the other 5, actual winding up process is yet to start.

The heavy incidence of overstaffing in public enterprises is treated as a reason for sickness in the public sector. During 1991-94, it is estimated that around 2,00,000 persons may have availed the VRS in the central public sector. But the VRS in profitable central public sector units is being financed by the respective undertakings. Such voluntary separations do not come under the domain of the NRF. Less than 1,000 persons have been trained under the NRF so far. Of these, less than 100 were employed in jobs for which they were trained/retrained (Venkata Ratnam, 1966b).

According to Venkata Ratnam (1996c), in large companies in the organised sector—whether owned privately, publicly or by multinationals — there is hardly any retrenchment as such, but sizeable workforce reductions are taking place through normal attrition, voluntary separations and redeployment. Instances are not rare when incentives are offered to employees, apart from compensation, by way of gold coins/ rings/chains, etc., and incentives to trade union leaders by way of a certain amount for every voluntary retirement application they forward. There are also instances where companies are willing to pay 50 per cent more than the normal wages for those aged 51 and above till the normal age of superannuation should they agree to retire voluntarily. The normal retrenchment compensation is 15 days wages for every year of completed service and the voluntary separation compensation in the government and government run companies as well as several private sector companies is 3 times the retrenchment compensation. The voluntary separation money upto 45 days wages for every year of completed service is also tax free. Several companies, on top of such compensation continue to also provide some post-retirement benefits such as leave travel, children's education and health care to voluntary retirees. Moreover, while voluntary separations are meant for reducing surplus labour or excess workers, in several cases it is done mindlessly. For instance, in the Delhi Transport Corporation (DTC) the need was to reduce the number of conductors but the Corporation lost its drivers under the VRS and had to recruit more drivers. In several public sector companies exposed to competition, competent and qualified executives took voluntary separation and immediately got into lucrative jobs. Thus, in some cases it has become a vested interest as inducement for the smartest to leave and the dullest to remain firmly entrenched in the units. And, retraining is offered (whether availed or not is a separate question) to those with marketable skills than those without marketable skills. Also, in some cases, retraining is offered without regard to the demand for skills. A case in point is the training of drivers many of whom remain unemployed after training because the supply of trained drivers exceeds the demand for them. The NRF, unfortunately, is mainly directed at funding retrenchment on a massive scale than aiding retraining, redeployment, renewal and regeneration of declining industries and areas.

According to Noronha (1986), the strategies used to promote the VRS in the private sector range from outright coercion to aggressive marketing. A common method is to keep the workforce idle. Vulnerable workers are often targeted. Sometimes, uncertainty and fear are deliberately created while in other cases investment advice is furnished. Such persuasion is always accompanied by open and/or veiled threats of closure and retrenchment. Many workers are led to believe that if they do not opt for the VRS package, they may have to forego both the package and their jobs. There are some companies where permanent workers have first been released through the VRS and later given the same work on contract basis at a very low wage (Shrouti and Nandkumar, 1994).

In a moving account by Chowdhury (1996), it is evident that displaced workers in the private sector have been largely ignored by the NRF, although it was set up as a social safety net for workers both in the public and private sectors. Thus, in practice, the state, under structural reforms, has *de facto* adopted a market-oriented approach than a welfare oriented one. This is what happened, for example, in the case of textile workers in Ahmedabad, who lost their jobs as a consequence of widespread closure of mills, in the context of declining employment opportunities in Gujarat.

As regards some other public sector reforms, it may be noted that no public enterprise in the central sphere has been overtly privatised while several state level public enterprises have been privatised. For example, Orissa has privatised over a dozen in the last three years (Venkata Ratnam, 1996c). More importantly, although public sector workers are crucial for political unionsism, with liberalisation this source of membership is in danger of evaporating. For, with may enterprises in the midst of wage parity negotiations, the government has recently dismantled the regime of centralised directives and bureaucratic approvals to let the enterprise management reach whatever settlement it deems fitting. The new policy announced by the Department of Public Enterprises provides for decentralised bargaining over 5-year agreements (as against a 4-year agreement in the mid and the late 1980s) based on enterprise viability, performance and profitability. The new policy clearly states that additional wage burdens would not qualify for budgetary support and that companies are not allowed to raise prices because of wage rises as they now have the responsibility to keep the unit labour costs in check. With over 40 per cent of the 232 operating central public sector units being in the red (i.e. already sick), this new policy is received with alarm. For the first time, in order to make the public units 'model performers' instead of merely remaining 'model employers', 50 per cent weightage is given to the profit criterion alone in the new performance contracts called Memoranda of Understanding (MOU) between the administrative Ministry and the public enterprise (modelled along the French example in this regard) (Ramaswamy, 1996).

As regards labour legislation reforms, labour laws have not changed in the central sphere. However, in recent times, the Supreme Court announcements and the High Court judgements seem to have turned in favour of workforce adjustment. More importantly, labour being in the concurrent list of the Constitution, in some states where investment is not forthcoming in adequate measure and where job losses are mounting, public policy measures have targeted labour market reforms that are particularly harsh on workers and unions (Venkata Ratnam, 1995 and 1996c; Sen, 1995). The industrial and labour policy changes in Kerala, the easing of requirements for labour inspection in Rajasthan, the relatively higher incidence of approvals for closure, retrenchment, etc., in Tamil Nadu, the new laws and rules in West Bengal and Orissa providing for secret ballot as the method of determination of representative union, and the cancellation of the registration of one-third of the unions for non-submission of statutory returns to the Registrar of Trade Unions in good time, illustrate the changes at the state level in favour of reducing labour rights for the sake of attracting investment. In West Bengal, the Left government's 1994 policy advises restraint on the unions, especially the CITU and does not support union militancy. It does not even support legitimate demands of unions for payment of dues (default in P.F. is the highest of all states). It allows manpower shedding through any means. It reflects a general disentanglement in tripartism and it argues for major reductions in public sector employment (except those in the state government service) without protest. It also allows the level of wages to be depressed even as the managerial remunerations even in sick industries have increased through the eighties.

It is clear from the above discussion that the organised labour and its unions have come under increasing attacks both from the management and the state, and from the proposed changes in trade union and other industrial and labour laws as well, that are detrimental to the interests of workers. With sharp reductions in employment opportunities, actual shrinkage in available employment in many areas and the explicit and implicit relaxation in restrictions regarding closing of even large units, the casualisation of workforce with worsening terms and conditions, and the shift of employment from the organised to the unorganised sector are likely to be further accelerated under structural reforms. As far as the small scale sector is concerned, workers are largely unskilled; the size in terms of workforce is small (thus, even if it is skilled it can be easily and swiftily replaced); and it is much easier to shift operations from one location to another. To close down and start all over again under some other name at some nearby place with new workers is easier for small units than for the large units. For these reasons, this practice is very frequently adopted by owners in the small-scale units. Here, the much debated and proposed 'exit policy' has always been there because very few laws are applicable to regulate the closure of units and retrenchment of workers in these units. Thus, the advocacy of an 'exit policy' for the large units does not reflect the prevalent vulnerability and plight of workers in the small sector; it has only added to the confidence and arrogance of owners in this sector who now much more frequently adopt the closure policy to avoid recognising and negotiating with a union than they used to do in the past (Vrijendra, 1995).

V. REAL INCOME AND GENDER ISSUES

An important area of investigation in the context of structural reforms concerns the real income of the working class. The evidence from Latin America and Africa is that the cost push inflation associated with structural adjustment and the slack employment market leads to a fall in real wages with consequent adverse effects on living standards of the workers. In the Indian context, the lower allocations to the social sectors in the recent budgets are likely to adversely affect the welfare of the working classes who depend on public services to a greater extent, by reducing the availability and quality of social services and raising their cost. At the same time, if the existing safety nets in the form of Integrated Rural Development Programme, Jawahar Rojgar Yojyana (JRY) and the public distribution system (PDS) shrink (Ghose, 1992), then the burden of fiscal adjustment would fall harshly on the working classes and the poorer sections, while little austerity is visible elsewhere. The problem is that we do not have yet the data to assess the trends in real wages for differnt sections of workers during the years of structural reforms so far. The organised industrial workers and government employees are protected to a considerable extent against a fall in their real wages through the dearness allowance mechanism but this mechanism has been subject to pressures from the new managerial strategies in the private sector as we have mentioned above apart from the deterioration in the conditions of new employment that is created. As far as the unprotected low-paid urban informal workers and the agricultural labourers are concerned, they are expected to suffer a loss in real earnings in a period of inflation (Singh, 1993).

Yet another contentious area of study concerns the impact of economic reforms — in the form of 'magic of the market' or neo-liberalist policies — on female labour. Shah et. al. (1994), in this respect, point to the need for proper identification of different aspects of feminisation in order not to generate confusions about the analysis of trends. As they point out, feminisation refers to one or all of the following : (a) increase in the female participation relative to men; (b) substitution of men by women who take over jobs traditionally handled by men; (c) increase in women's involvement in 'invisible work', i.e. family labour and homeworking; and (d) changing character of industrial work on the basis of new technology and managerial strategies whereby work is decentralized, low paid, irregular, with part time or temporary labour contracts, i.e. increasingly like 'women's work' but which is not necessarily done by women.

Reviewing a vast literature on the experience in Africa, Latin America, the Caribbean and Asia, Shah et. al. (1994) point out that while reforms affect sections of working women differentially, the evidence shows that women's employment opportunities have shrunk in the organised sector, and new employment opportunities are primarily in a small segment of export industries with low wages and extremely adverse working conditions. Women workers have been particularly hard hit in terms of real wage erosion, increase in the burden of multiple jobs to survive and extended domestic labour, fall in nutritional and health levels, and brake to any improvement of their social status.

Reacting to the thesis of growing feminisation of employment in the aftermath of reforms in India (Deshpande and Deshpande, 1992a; Deshpande, 1993) and elsewhere, Shah et. al. (1994) have also convincingly raised serious doubts regarding the veracity of this thesis; while the analyses based on macro data suffer from several pitfalls, numerous micro studies have shown decline in the employment of women in both the organised and unorganised sectors of manufacturing.

Finally, Shah et. al. (1994) argue that while the fashionable obsession with neo-liberalism should be opposed by way of presenting appropriate alternatives, the role of government should be stepped up to ensure that the poor in general and women workers in particular "do not pay even more for a cristis which was not of their making."

VI. CONCLUSION

Hot debates have emerged in respect of not only the theoretical premises but also the empirical validity of the standard IMF-World Bank model of economic reforms, and its modified versions in practice. Enormous literature has mounted up regarding its impacts on labour, thereby recording the crossfire between the optimists and pessimists. It must be noted, however, that the two sides of the debate converge on the issue of short-run negative effects on output and employment, but diverge very much on the issues of medium and long-term impacts of structural adjustment. India is no exception in this regard, especially by way of the optimism of the Planning Commission based on the 8th Plan strategy on the one hand, and the pessimism of several critics of the employment intensity of growth and the character of new job opportunities due to the new economic policies since mid-1991.

However, there are some undisputatious trends observed in the organised sector of manufacturing, especially in the highly industrialized western region of the country. These observations unearthed by studies with micro level focus, especially in the private organised sector, have been as follows: (a) systematic transfer of jobs from the unionised category to the non-unionised category; (b) banning of recruitment in the bargainable category of employment; (c) transfer of production and employment to the unorganised sector or backward areas with plenty of 'green labour' through subcontracting, 'loan licensing' and parellel production arrangements; (d) the increasing use of contract/casual/temporary labour with substandard employment conditions; (e) increased incidence of sickness as a means of profitable business at the cost of unions and workers; (f) ascendancy of managerial rights and descendancy in the labour rights alongside rapid weakening of power of the political unions; (g) restructuring of production achieved during strikes or the more prevalent offensive lockout periods; (h) technological and organisational changes brought about for the sake of greater flexibility and prductivity; and (i) workforce adjustments effected, especially via downsizing, by aiding and abetting voluntary separations/involuntary retrenchments (retirements) rather than by renewal, etc.

Surely, the thin organised sector is becoming thinner, and the organised labour and its unions are under increasingly virulent attacks from the management and even the state, as reflected in the *de facto* atrophy of tripartism (between capital, the state and labour) in favour of capital or the employers. With sharp reductions in employment opportunities, actual shrinkage in available employment in many areas, and the explicit and implicit relaxation in restrictions regarding closing of even large units, the increasing casualisation of work force with worsening terms and conditions of employment, and the shift of employment from the organised to the unorganised sector with less than average labour standards are likely to be further accelerated under structural reforms in India.

Far more macro and micro research needs to be done not only to sort out the controversies in the aftermath of reforms but especially to find out the impact of reforms on the living standards and survival strategies of workers — male as also female — in order to facilitate suitable supportive policy measures (e.g. basic income security strategy) to mitigate or overcome the adverse repurcussions of economic reforms on labour.

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