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New Economic Policy and Employment in India

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ABSTRACT

Cultures, diversity, attitudes, languages, gender, food, habits, time zones, work, rewards, structure, education, religion, legal systems and emotions..... the list of such words keeps on increasing in this global economy and the multicultural corporate world. Globalization has led the technological revolution in a big way. The problem of unemployment arises when an adequate response by way of a change in the composition of labour supply is presented either by lack of access to training and education or by an attempt to protect the employment of low demand categories of labour by inappropriate forms of intervention. We attempt in this paper to discern important features of the data and to summarize what we have learnt so far, while delineating directions for further research. It is important to stress that it is almost impossible to ascribe *causality* to relations that describe changes that have occurred since the start of the reform process and to note that the reforms are still in progress. The process of rationalization and liberalization dominating the government's new economic policy (NEP) is an inevitable part of India's need to exist and grow with dignity in the emerging global economy. While this implies freedom and flexibility for industry, this has also led to incidence of labour redundancy, unemployment and casualization.

KEYWORDS – Globalization, Employment, Government policies, Human resources

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INTRODUCTION

Employment generation is one of the major priorities drawing the attention of the Governments and Economic planners all over the world. India is no exception. The approach to tackling unemployment problem has varied from time to time. In the initial years of planning no attempt was made to define an independent employment strategy. The focus on economic growth was viewed as essential for improving the employment situation. Thus, in the five year plans, the generation of employment was viewed as part of the process of development¹.

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- Ernest Thompson, Proctor and Gamble

GLOBALIZATION & CORPORATE WORLD

In today's bubbling globalized IT corporate world, there are a lot of changes related to the expansion of business and entry of foreign players in services industry and products manufacturing, increased the need for managing cross culture teams and diversity. We experienced tremendous changes in the Indian business when silicon valley started handling the outsourced work. Within a short span of time, huge ventures and foreign business have spread all over India and subsequently to the other developing countries. For instance, we can see the McDonald entering India, Maruthi exporting cars to European markets and a fortune 500 financial services company developing an offshore outsourcing relationship with Indian vendors for the development and support of its software and online services. This involved ongoing interactions between a US-based project and technical support staff and counterparts at the vendors sites in India. There are other MNCs like IBM, TCS, Infosys, Ranbaxy and Asian paints which are handling international human resources^{1,2,3}.

In India, due to the agrarian sector with seasonal operations time disposition and availability for work have been the criteria for measuring employment. The accepted method of measuring employment is

Table -1 : Employment in Organised Sectors – Public and Private

(Lakh persons as on 31 March)

	1991	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2009	2011
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
PUBLIC SECTOR														
A. By Branch														
1. Central Government	34.11	33.95	33.66	32.95	32.53	33.13	32.73	32.61	31.95	31.33	30.27	29.38	28.60	28.00
2. State Governments	71.12	73.55	74.14	74.85	74.58	74.58	74.60	74.25	73.84	73.67	72.22	72.02	73.00	72.09
3. Quasi-Governments	62.22	65.20	64.58	65.35	64.61	63.85	63.26	61.92	60.20	59.01	58.22	57.48	59.09	58.61
4. Local bodies	23.13	21.97	21.92	22.44	22.46	22.59	22.55	22.61	21.75	21.79	21.26	21.18	21.18	21.32
Total	190.58	194.66	194.29	195.59	194.18	194.15	193.14	191.38	187.73	185.8	181.97	180.07	181.88	180.02
B. By Industry														
1. Agriculture, hunting etc.	5.56	5.39	5.40	5.33	5.30	5.15	5.14	5.02	4.83	5.06	4.93	4.96	4.69	4.75
2. Mining and quarrying	9.99	10.16	9.93	9.78	9.37	9.26	9.24	8.75	8.61	8.47	10.30	10.14	11.46	11.37
3. Manufacturing	18.52	17.56	17.38	16.61	16.16	15.69	15.31	14.30	13.50	12.60	11.89	11.30	10.92	10.87
4. Electricity, gas and water	9.05	9.35	9.46	9.56	9.54	9.62	9.46	9.35	9.23	9.13	8.74	8.60	8.49	8.49
5. Construction	11.49	11.64	11.59	11.34	11.09	11.07	10.92	10.81	10.26	9.48	9.32	9.11	8.94	8.66
6. Wholesale and retail trade	1.50	1.62	1.62	1.64	1.64	1.63	1.63	1.63	1.57	1.82	1.81	1.84	1.82	1.78
7. Transport, storage & Communications	30.26	31.06	30.92	30.92	30.84	30.84	30.77	30.42	30.09	29.39	28.15	27.51	26.75	26.37
8. Finance, insurance, real estate tec.	11.94	12.83	12.80	12.94	12.88	12.95	12.96	12.81	12.30	13.77	14.08	14.08	13.90	13.69
9. Community, Social & personal services	92.27	95.04	95.20	97.47	97.37	97.94	97.71	98.30	97.35	96.09	92.76	92.52	91.76	90.90
Total	190.58	194.66	194.29	195.59	194.18	194.15	193.14	191.38	187.73	185.80	181.97	180.07	178.73	176.88
PRIVATE SECTOR														
1. Agriculture, hunting etc.	8.91	8.94	9.19	9.12	9.04	8.71	9.04	9.31	8.55	8.95	9.17	9.83	10.28	9.50
2. Mining and quarrying	1.00	1.03	1.07	0.92	0.91	0.87	0.81	0.79	0.68	0.66	0.65	0.79	0.95	1.00
3. Manufacturing	44.81	47.06	5.49	52.39	52.33	51.78	50.85	50.13	48.67	47.44	44.89	44.89	45.49	47.50
4. Electricity, gas and water	0.40	0.40	0.42	0.41	0.42	0.41	0.41	0.52	0.42	0.50	0.47	0.49	0.40	0.50
5. Construction	0.73	0.53	0.53	0.54	0.74	0.71	0.57	0.57	0.56	0.44	0.45	0.49	0.55	0.70
6. Wholesale and retail trade	3.00	3.08	3.07	3.07	3.21	3.23	3.30	3.39	3.35	3.60	3.51	3.75	3.87	4.10
7. Transport, storage & Communications	0.53	0.58	0.60	0.63	0.65	0.69	0.70	0.76	0.76	0.79	0.81	0.85	0.87	1.00
8. Finance, insurance, real estate tec.	2.54	2.93	3.06	3.22	3.41	3.58	3.58	3.70	3.91	4.26	4.58	5.23	6.52	8.80
9. Community, Social & personal services	14.85	16.03	16.58	16.44	16.77	17.00	17.23	17.34	17.42	17.56	17.92	18.20	18.78	19.50
Total	76.77	80.59	85.12	86.86	87.48	86.98	86.46	86.52	84.32	84.21	82.46	84.52	87.71	92.40
BY SEX														
PUBLIC SECTOR														
Male	167.10	168.66	167.94	168.31	166.55	166.04	164.57	162.79	158.86	156.75	153.07	150.86	151.85	149.84
Female	23.47	26.00	26.35	27.28	27.63	28.11	28.57	28.59	28.87	29.05	28.90	29.21	30.03	30.18
TOTAL	190.57	194.66	194.29	195.59	194.18	194.15	193.14	191.38	187.73	185.80	181.97	180.07	181.88	180.02
PRIVATE SECTOR														
Male	62.42	64.31	67.20	67.77	67.37	66.80	65.80	65.62	63.83	63.57	62.02	63.57	66.87	69.80
Female	14.34	16.28	17.92	19.09	20.11	20.18	20.66	20.90	20.49	2.64	2.44	20.95	21.18	22.94
TOTAL	76.76	80.59	85.12	86.86	87.48	86.98	86.46	86.52	84.32	84.21	82.46	84.52	88.05	92.74
PUBLIC AND PRIVATE SECTOR														
Male	229.52	232.97	235.14	236.08	233.92	232.84	230.37	228.40	222.71	220.32	215.09	214.42	218.72	219.64
Female	37.81	42.28	44.26	46.36	47.74	48.29	49.23	49.49	49.35	49.68	49.34	50.16	51.21	53.12
TOTAL	267.33	275.25	279.41	282.45	281.66	281.13	279.60	277.89	272.06	270.00	264.43	264.58	269.93	272.76

Source : Ministry of Labour & Employment, Director General of Employment and Training

Note : 1. Coverage in construction, particularly on private account, is known to be inadequate.

2. Employment in private sector relates to non-agriculture establishment in private sector employing 10 or more persons. Employment in public sector relate to all establishments irrespective of size.

3. Excludes Sikkim, Arunachal Pradesh, Dadra & Nagar Haveli and Lakshadweep as these are not yet covered under the programme.

4. Due to non-availability of data as per NIC 1998, information in respect of J&K, Meghalaya, Mizoram, Daman & Diu not included in totals.

the usual status. Reliable estimates of unemployment are generated through National Sample Surveys conducted once in five years by National Sample Survey organization (NSSO). As per the results of the National Sample Survey Conducted in 1999-2000, total work force as on 1.1.2000, as per usual status approach was of the order of 406 million. About 7 percent of the total work force is employed in the formal or organized sector while remaining 93% work in the informal or unorganized sector. The capacity of the organized sector to absorb additional labour force, taking into account the current accent on modernization and automation, is limited. In other words, an overwhelming proportion of the increase in the labour force will have to be adjusted in the unorganized sector. About 369 million workers are placed today in unorganized sector in India; agriculture workers account for the majority of this work force. The employment figures since the beginning of the global economic policy (1991) in organized sectors – public and private are given in Table 1.

CURRENT SCENARIO OF EMPLOYMENT IN INDIA

The public sector which is the major employer of organized labour has been initiating disinvestment in many of its units. A number of units in the private sector also suffer from industrial sickness. Under these conditions, recruitment in the organized sector has limited scope. Sub-contracting a part of the production process is very common and there is fierce competition among small and informal firms to undertake a part of the production process. Recent ongoing literature focuses that technological development and globalization are transforming the internal organization of the firm and a large part of producing activities in developing economies like India is undertaken by informal producers, mostly those who are vertically related to formal producers⁴.

Besides the dismally low share of employment in the organized sector, another disturbing features is the fall in the share of public sector employment with respect to employment in the organized sector. The public sector is the major employer in the organized sector and decline in its share can be observed from Table No. 2. The share of public sector in total organized sector employment which was 71.23% declined to 68.10 percent in 2005. Accordingly the share of private sector in organized sector employment increased from 28.77 percent to 31.90 percent.

The situation from 2000 to 2005 in further dismal when in absolute terms total employment in organized sector declined from 27.95 million to 26.46 million and the decline was observed in both the public and private sector. This indicates the inability of the organized sector to absorb the growing labour force.

Table 2:Share of Public and Private Sector in Organized Sector Employment (million)

Year	Public Sector Employment	Private Sector Employment	Total Employment in Organized Sector
1990	18.77 (71.23)	7.58 (28.79)	26.35
1995	19.46 (70.71)	8.06 (29.29)	27.52
2000	19.31 (69.08)	8.64 (30.92)	27.95
2010	18.01 (68.10)	8.45 (31.90)	26.46

Source : Economic Survey, Government of India.

Note : Figures in brackets are percentage to total employment in organized sector.

The present employment scenario since the beginning of the new economic policy and the projections in the medium term are given in Table: 3

Table: 3 present employment scenario (Employment in Million)

Employment	1989-90	1995-96	2000-2001	2003-04	2009-2010
Direct	2.65	10.65	17.31	22.50	27.50
Indirect	3.60	14.48	23.54	31.50	38.50
Total	6.25	25.13	40.85	54.00	66.00

EMPLOYMENT GENERATION

No one should lack food, clothing and shelter. Every one should be able to live in hygienic surroundings and enjoy the benefits of a better quality of life. The state-level mission for poverty eradication is already working to achieve this goal. Employment opportunities to the tune of 10-20 million have to be created for the rural and urban educated masses by the year 2020 to realize the vision 2020. This requires sustained and coordinated effort. The state level mission for Employment generation as planning and advisory body is formed to achieve this objective. Natural resources management, Industries and services are the three key growth engines through which these objectives are sought to be achieved^{3,5}.

Employment would include the employment for the educated in rural and urban areas, employment in organized and un-organized sectors, self-employment, entrepreneurship development with special reference to micro enterprises and employment for artisans and the skilled persons.

Table 4 :Employment Scenario in India

Year	Registration	Placement	Vacancies Notified	Submission	% of placement to Sub.	% of placement to vacancies notified
1994	5927.30	204.90	396.40	3723.40	5.50	51.70
1995	5858.10	214.90	385.70	3569.90	6.00	55.70
1996	5872.40	233.00	423.90	3605.90	6.50	55.00
1997	6321.90	275.00	393.00	3767.80	7.30	70.00
1998	5851.80	233.30	358.80	3076.60	7.60	65.00
1999	5966.00	221.30	328.90	2653.20	8.30	67.30
2009	6641.90	409.70	496.50	4322.80	9.47	82.50
2010	7552.60	509.20	574.10	5108.80	9.96	88.69

Source: DGET Ministry of labour, Government of India, New Delhi.

GLOBALIZATION AND EMPLOYMENT

Now-a-days Globalization is being talked everywhere by everyone. Government officials and different national and international organizations are studying the impact of Globalization on various aspects in India including its impact on employment. The impact of Globalization on employment in India pervades far and wide as the reforms incorporated since 1991-92 led to the entry of several international employers in India and also served to open up various employment avenues. It should be remembered that the process of economic reforms was started with the sole aim of improving the living conditions of the people of the country. It was the mean and not the end in itself. Reforms were started not for diminishing the employment avenues. The impact of globalization and employment in India is positive as the globalization process has led to the increase of employment avenues.

TRADE UNION RESPONSE

I have made repeated references in the preceding passages to industrial and managerial leadership to merit on their role and responsibility in dealing with problems of degradation of labour and unemployment. In doing so, the role and responsibility of trade unions were overlooked. This does not mean that unions have a secondary or subservient role or responsibility in this regard. Unions obviously constitute the most important element in matters of employment relations. Their primary responsibility is to articulate, protect and promote the socio-economic interests of employees. In discharging this responsibility, unions need to organize protest and fight on behalf of their constituents against violation of their rights or for securing a better deal from employers in respect of compensation

and rewards for work, working conditions and control over the work situation. In a democratic society like ours, we need such a countervailing force on behalf of all categories of workers involved in employment relations. However, the power of protest should be created and used within the framework of organizational and civic responsibility⁵. An important aspect of this responsibility is acceptance of the need for social rewards to be distributed according to the democratic norms of social justice and equity and the willingness of all sections of the society to make proportionate sacrifice in situations of collective crisis. Unfortunately, the current reality of Indian trade unionism is woefully disappointing. Trade unions cover less than two per cent of the total labour force and less than one third of the workforce in the organized sector. This means that the vast majority of employees in industry and other sectors have no protection against the adverse consequences of government policy on their livelihood or human dignity. The existing trade unions are characterized by fragmentation, divisiveness, internecine conflicts, rivalries, scramble for leadership within unions, dependence on political patronage and favours from employers in pursuit of short-term goals of specific segments of employees. These forces have collectively made unions quite noisy and often turbulent in their response to employer's behaviour and government policies. But they can hardly claim to be effective in representing employees interests as they usually fail to agree on their diagnosis of given situations and strategy for dealing with them. The rapidly growing trend of unionization among white-collar and managerial employees has produced new unions which are largely independent of political groupism and patronage. However, these unions are predominantly led by professional leader with a bureaucratic and commercial outlook on their relationship with members

LIMITATIONS AND AGENDA FOR FARTHER STUDY

The analysis presented in this article should be considered as a preliminary study. Evidences suggest that beneath the euphoria of 'miracle growth' lies a deep-rooted problem of stagnated development in India. However, the evidences at this stage are not conclusive and require farther study. A more rigorous and complete analysis will be taken up in the future. Here I point out some of the limitations of this article.

i. Some development indicator data, I have used, are for a short span. It can be argued that such short spans are not representative of the entire post-reform period. Since, most of the comparisons here are compiled from various secondary sources; I also could not maintain a uniform comparison period. A rigorous study will use mid eighties to 2010 as the comparison period for all development indicators⁶.

ii. I have only used stylized statistical figures to test my hypothesis. However, this can be only indicative; a rigorous analysis shall use formal statistical tests before reaching any conclusion.

iii. This article indicates (but does not claim or prove) that perhaps, states, which were exposed more to policy reforms, grew faster than the others. However there are also contrary evidences, Ha-Joon Chang's 'Kicking Away the Ladder: Development Strategy in Historical Perspective', argues that adoption of liberal and neoliberal policies actually stifle growth. What caused economic growth in India, particularly its spatial disparity, is an important question and should be studied separately. This can also help us understand why such growth had failed to trigger development^{7,8}.

iv. The article also implies that low reform does not mean high development. To understand improvement in development perhaps factors other than reform should be examined. Studying socio-political institutions that can ensure development, true democracy and beyond is an essential political task but it was beyond the scope of the present article.

CONCLUSIONS

Globalization has led the technological revolution in a big way. The world is experiencing a pattern of technological advance and that has ushered in a period of Jobless growth. It is natural and up to a point desirable for growth in unemployment to lag behind growth in output. Change has definitely brought a large shift in the composition of demand for labour. But new technology has also created plenty of jobs. The problem of unemployment arises when an adequate response by way of a change in the composition of labour supply is presented either by lack of access to training and education or by an attempt to protect the employment of low demand categories of labour by inappropriate forms of intervention. To achieve the objective of full employment in the years to come, policies to encourage those sectors in which employment opportunities are high must be adopted.

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