

# Changing Scenario of Indian Labour Market During the Period of Globalization

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**Abstract:**-The globalization process turns out to have performed a double-edged sword for the Indian labour. In terms of 'current daily status' estimates brought out by the National Sample Survey Organisation, there has been a significant deceleration in labour force participation rate to 1.3 percent per annum during 1993-2000 from 2.4 percent during 1983-1994. Notwithstanding a higher GDP growth in the latter phase, employment growth declined to 1.1 percent from 2.7 percent in the backdrop of decline in employment elasticity to 0.16 from 0.52 over the same period. The sharp deceleration in employment growth has raised fears that economic growth in the 1990s has been a 'jobless' variety. Besides, there is evidence of increasing capital intensity almost in all sectors including small un-organised ones and services particularly in the latter half of the 1990s. The significant reduction in labour force participation rate during 1993-2017 has been mainly on account of lower workforce participation by women particularly in rural areas. In fact, the number of unemployed stood at nearly 27 million in 2016-17 as compared to about 20 million in 2003-04, taking the unemployment rate to 7.3 percent of labour force from 6.0 per cent. In evaluating the state of unemployment, it is important to recognise that some degree of unemployment is normal in any labour market. Even full employment is conventionally defined not as zero unemployment but as that level of employment when unemployment falls to the irreducible minimum. However, such level of unemployment has not been defined so far in the Indian context.

**Key Words:** Globalization, Labour Market, Employment, Economic growth.

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**Introduction:**-The Indian labour market is characterised by predominance of informal employment with more than 90 percent of India's informal workforce working as self-employed and casual workers. The worrying trend is the increasing rate of informal employment even in the organized sector. By highlighting some of the not so easily observable, trends the challenges to informalisation are multi-faceted and that a single tool like labour reforms alone cannot address it completely. The need of the hour is to generate an enabling environment that will develop the urge of "formal" culture in the labour market. Today the unorganised or the informal sector account for more than 90 percent of the workforce in the country and almost 50 percent of the national income evolves from this sector. Ever since the initiation of the liberalisation policies in the early nineties, informalisation of jobs has become a matter of concern. Growing Competition combined with increased market opportunities and limited resources have led to the emergence of an informal economy. The predominance of the informal sector has led to a situation of the benefits of economic growth being concentrated among few with a growing proportion of the population living as working poor. Though the Government changed its policy strategy to that of inclusive and sustainable growth in the last decade, the fundamental issues leading to growing informalisation are yet to be targeted. Formal- Informal employment is spread across two sectors viz; organised (formal) and unorganised (informal). The National Commission for Enterprises in the Unorganised Sector (NCEUS) has defined the informal unorganised sector as all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten workers. Informal workers being spread both in the organised and unorganised sector, the NCEUS also gave a definition of informal workers as, "Informal workers consist of those working in the informal sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers". The present article uses the NCEUS definition to identify the spread of formal/informal employment across organised-unorganised sectors.

The composition of employment in the organised vs unorganised sector was in the proportion 13:87 in 2014-15 and 17:83 in 2016-17 indicating an increase in organised sector employment from 13 percent in 2014-15 to 17 percent in 2016-17. But this increase in organised sector

employment was informal in nature, while the share of organised formal employment decreased. But in the unorganised sector the share of formal employment marginally increased from 0.3 to 0.4 percent and that of informal employment declined marginally from 99.7 to 99.6 per cent. On the whole the number of formally employed increased from 33.41 million in 2004-05 to 38.56 million in 2016-17, while informally employed increased from 426.20 million to 435.66 million during this period. Broad Sectoral Distribution of Employment In agriculture sector which is the main contributor of employment, nearly 97 percent of the employment is informal in nature. But the share of agriculture in total employment has decreased from 58.50 percent in 2004-05 to 48.90 percent in 2016-17 which is indicative of the structural transformation of the sector. In manufacturing sector the increase in share of employment was accounted for by the organised sector which showed an increase in both formal and informal employment. In non-manufacturing which comprises of the construction sector there was an increase in employment across both the organised and unorganised sector as well as in the formal and informal sector, though the share of informal employment was higher. The same trend was observed in the services sector also. Literature indicates labour market rigidities, poor skill levels, increasing competition from imports as the factors inducing creation of informal employment and decline of formal employment opportunities. Labour market rigidity is blamed on the multiple labour legislations that deters the hire and fire policy. But is labour laws a hindrance.

A comparison was made between State-wise distribution of informally employed in the manufacturing sector vis-a-vis the labour reform index which shows that even when the labour reform index is high indicating that even in States like Gujarat where the stringency of labour regulations were lowered by procedural changes, simplifying compliance and limiting scope of regulations, the jobs that were created in the manufacturing sector were informal in nature. Similar is the case with Uttar Pradesh and Andhra Pradesh. Irrespective of labour reforms being a hindrance or otherwise, extent of informal employment was more than 90 percent in the major industrial States. These findings only indicate that labour reforms alone will not reduce informalisation.

Over 94 percent of India's working population is part of the unorganised sector. In local terms, organised sector or formal sector in India refers to licensed organisations, that is, those who are registered

and pay sales tax, income tax, etc. These include the publicly traded companies, incorporated or formally registered entities, corporations, factories, shopping malls, hotels, and large businesses. Unorganised sector, also known as informal sector or own account enterprises, refers to all unlicensed, self-employed or unregistered economic activity such as owner manned general stores, handicrafts and handloom workers, rural traders, farmers, etc.

India's Ministry of Labour, in its 2008 report, classified the unorganised labour in India into four groups. This classification categorized India's unorganised labour force by occupation, nature of employment, especially distressed categories and service categories. The unorganised occupational groups include small arid marginal farmers, landless agricultural labourers, share croppers, fishermen, those engaged in animal husbandry, beedi rolling, labeling and packing, building and construction workers, leather workers, weavers, artisans, salt workers, workers in brick kilns and stone quarries, workers in saw mills, and workers in oil mills. A separate category based on nature of employment includes attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers. Another separate category dedicated to distressed unorganised sector includes toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders. The last unorganised labour category includes service workers such as midwives, domestic workers, barbers, vegetable and fruit vendors, newspaper vendors, pavement vendors, hand cart operators, and the unorganised retail.

The unorganised sector has low productivity and offers lower wages. Even though it accounted for over 94 percent of workers, India's unorganised sector created just 57 percent of India's national domestic product in 2006, or about 9 fold less per worker than the organised sector. According to Bhalla, the productivity gap sharply worsens when rural unorganised sector is compared to urban unorganised sector, with gross value added productivity gap spiking an additional 2 to 4 fold depending on occupation. Some of lowest income jobs are in the rural unorganised sectors. Poverty rates are reported to be significantly higher in families where all working age members have only worked the unorganised sector throughout their lives.

Agriculture, dairy, horticulture and related occupations alone employ 52 percent of labour in India. About 30 million workers are

migrant workers, most in agriculture, and local stable employment is unavailable for them. India's National Sample Survey Office in its 67th report found that unorganised manufacturing, unorganised trading/retail and unorganised services employed about 10 percent each of all workers nationwide. It also reported that India had about 58 million unincorporated non-Agriculture enterprises in 2010. In the organised private sector with more than 10 employees per company, the biggest employers in 2008 were manufacturing at 5 million; social services at 2.2 million, which includes private schools and hospitals; finance at 1.1 million which includes bank, insurance and real estate; and agriculture, at 1 million. India had more central and state government employees in 2008, than employees in all private sector companies combined. If state-owned companies and municipal government employees were included, India had a 1.8:1 ratio between public sector employees and private sector employees. In terms of gender equality in employment, male to female ratio was 5: 1 in government and government owned enterprises; private sector fared better at 3:1 ratio. Combined, counting only companies with more than 10 employees per company, the organised public and private sector employed 5.5 million women and 22 million, men.

India's economy has been adding about 8 million new jobs every year predominantly in low paying, unorganised sector. The remaining 5 million youth joining the ranks of poorly paid partial employment, casual labour pool for temporary infrastructure and real estate construction jobs, or in many cases, being unemployed.

The 2009 National Policy on Skill Development (NPSD) includes, the aim to develop a Labour Market Information System (LMIS), both at national and sector level. Several initiatives in India are underway or planned to achieve this. The recently established National Skills Development Agency (NSDA) has been designated as the lead agency for the development of the national LMIS. A final decision on the objective of such a national LMIS has not been taken, but it is likely that the national LMIS will focus on monitoring and evaluating skills development initiatives for all Indian states and for the different economic sectors.

India has two broad groups of migrant labourers - one that migrates to temporarily work overseas, and another that migrates domestically on a seasonal and work available basis. About 4, million Indian-origin labourers are migrant workers in the Middle East alone. They are credited to have been the majority of workers who built many

of Dubai, Bahrain, Qatar and Persian Gulf modern architecture, including the Burj Khalifa, the tallest building in world's history which opened in January 2010. These migrant workers are attracted by better salaries, possibility of earning overtime pay, and opportunity to remit funds to support their families in India. The Middle East-based migrant workers from India remitted about US\$20 billion in 2009. Once the projects are over, they are required to return at their own expenses, with no unemployment or social security benefits. In some cases, labour abuses such as unpaid salaries, unsafe work conditions and poor living conditions have been claimed. Domestic migrant workers have been estimated to be about 4.2 million. These workers range from full-time to part-time workers, temporary or permanent workers.

**Globalization and the Indian Labour-**Employment Growth and Elasticity The globalization process turns out to have performed a double-edged sword for the Indian labour. In terms of 'current daily status' estimates brought out by the National Sample Survey Organisation, there has been a significant deceleration in labour force participation rate to 1.3 percent per annum during 1993-2000 from 2.4 percent during 1983-1994. Notwithstanding a higher GDP growth in the latter phase, employment growth declined to 1.1 percent from 2.7 percent in the backdrop of decline in employment elasticity to 0.16 from 0.52 over the same period. The sharp deceleration in employment growth has raised fears that economic growth in the 1990s has been a 'jobless' variety. Besides, there is evidence of increasing capital intensity almost in all sectors including small un-organised ones and services particularly in the latter half of the 1990s.

**Unemployment Rate-**The significant reduction in labour force participation rate during 1993-2017 has been mainly on account of lower workforce participation by women particularly in rural areas. In fact, the number of unemployed stood at nearly 27 million in 2016-17 as compared to about 20 million in 2003-04, taking the unemployment rate to 7.3 percent of labour force from 6.0 per cent. In evaluating the state of unemployment, it is important to recognise that some degree of unemployment is normal in any labour market. Even full employment is conventionally defined not as zero unemployment but as that level of employment when unemployment falls to the irreducible minimum. However, such level of unemployment has not been defined so far in the Indian context. Nevertheless, a cross-country comparison indicates

that India's current unemployment rate remains significantly lower than several countries like Australia, Philippines, Pakistan and Sri Lanka and is comparable to Indonesia. However, it remains higher than the rate for China and Bangladesh. Nevertheless, one encouraging development has been the noticeable decline in educated unemployment rate across rural and urban sectors both among the technically educated as well as those having secondary education or above.

**Skilled Labour and Wage Inequalities** -Yet another healthy trend witnessed in the post-reform period has been the shift in the composition of labour force in favour of the skilled labours, in general, and more significantly in the unorganized sector. The dramatic expansion in software exports has certainly contributed to this development. As a natural consequence, labour productivity indicated faster improvement both in organized and unorganized sectors. While the larger absorption of skilled labours in the unorganized sector vis-à-vis the organized sector might have brought down the wage gap across, the same might have widened within the organized sector itself with de-emphasis of wage parity and narrow gap between the lowest and the highest paid employees.

While the employment share of organised sector remained almost the same at around eight percent in 2016-17 as in 2003-04, its employment elasticity came down close to zero. In particular, public sector, which accounts for nearly 70 percent of employment of the organised sector, underwent a drastic decline in employment elasticity primarily on account of pursuit of rightsizing in the context of hard budget constraint. On the other hand, private sector, which is closely intertwined with the developments in the rest of the world, demonstrated considerable dynamism in terms of improvement in growth and elasticity of employment even in the face of slowdown in output. This is contrary to the popular pessimistic projections for the post-reform period but in line with the enhanced role of the private sector in a market economy.

**International Mobility of Labour** -The migration of labours across international boundaries is one of the most striking features of globalization worldwide. Since Independence, migration from India has been characterised by movement of persons with technical skills and professional expertise to the industrialised countries, and flow of unskilled and semi-skilled workers to the oil exporting countries of the Middle East. During the 1990s, however, there has been a clear shift in the pattern of labour demand in the Middle East away from unskilled and

semi-skilled categories towards service, operations and maintenance workers requiring high skills. Besides, there has been a runaway growth in exports of IT and software services from India - both on-site and business process outsourcing (BPO) in the 1990s. One direct benefit for the employees in the IT sector is in the form of Employee Stock Option Plan offered by the employers which has led to the growing attractiveness of the sector. All these have enhanced the employment opportunities for the Indian labour, particularly when the country boasts to have very large pool of English speaking people as well as the second largest pool of scientific and technical manpower in the world. In the process, sustained remittances from the Indian Diaspora, which is in fact the largest in the world, have imparted an element of stability in the country's balance of payments.

**Woman Labour**-Globalization is found to have led to greater feminisation of the workforce both in the developed and developing world. The issue has assumed considerable importance in view of the acute gender disparity in the country. Here, however, the signals are not unequivocal with evidence of increased youth unemployment rate among rural females coupled with a reverse tendency among urban females in 2016-17 over 1993-94. Nevertheless, the coincident increase in youth unemployment rate among both rural and urban males points to a possible feminisation of the workforce at least in short duration urban informal activities. Increased flexibility in the labour market may be needed if the country is to engage women in the work force fully and compete better in international markets.

**Child Labour**-Child labour, though undesirable, persists primarily in rural and agricultural activities on account of socio-economic compulsions. One of the positive features of the recent employment growth has been the definite decline in the participation of children aged five to fourteen years in the workforce. One fall-out of the decline in child labour has been the substitution effect, which favours the employability of adult females. While the existing literature often identifies poverty as a major determinant of child labour, evidence across Indian states indicates that the correlation between poverty and child labour is very weak. Therefore, one should possibly go beyond the poverty issues and look at areas such as quality of schooling and spread of primary education.

The phase of globalization has witnessed silent and significant metamorphosis of the labour-management relations despite the institutional

inertia on the front of labour laws and regulations. The erstwhile centralised and tripartite industrial relation (IR) system has slowly given way to many local bipartite IR systems. Increasingly, consultation, co-operation and consensus are taking the place of coercion and confrontation. This is reflected in the reduced number of man days lost at 210 million during 2016-17 as against 402 million during 1981-90. One of the striking features during this period is that more man days were lost in lock-outs on the initiatives of the management than strikes effected by the employees. The new industrial climate has also encouraged the employers to right-size the workforce by way of closures, technological change and restructuring.

Globalization has brought the issue of education and skills development to the centre of the employment scene. The scope for absorption of labour in manufacturing or services would depend on educational attainments and skills acquired. As of now, the skilled labour force accounts for hardly around six to eight percent of the total, compared to more than 60 percent in most of the developed and developing countries. It is, therefore, necessary to orient the educational and training system towards skill requirements in both formal and informal sectors. The participation rate of women in the labour market is as low as 18 percent in India as compared to 44 percent in China. The participation rate needs to be raised with thrust on educational levels, enabling the women labour to reach up in the value chain. Besides, action by the government and civil society is required to contain the gender disparity. With globalization and demands from the developed world for adherence to the international labour standards, developing countries including India would be increasingly under pressure to reduce the incidence of child labour.

**Conclusion:-**Economic reforms, globalization, rising FDI, up gradation of technology in the industries and capital intensive techniques could not generate sufficient employment to solve the problems of surplus labor market. With rising FDI, the increase in employment has been insignificant. The needed attention has not been paid towards employment content of the economic growth. The study suggest that the policies of globalization, encouragement to FDI and use of advance technology should be formulated against the background of the Indian labour market. Small scale and medium scale industries with labour intensive technique should be established in the small towns and bigger villages to absorb

the surplus manpower of agricultural sector. Strong social security measures are needed for retrenched worker form the formal sector. Greater efforts should be made for human resource development through better educational and training facilities of the people so, that skilled, healthy and efficient manpower could be available for higher productivity in different industries.

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