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LABOUR MARKET FLEXIBILITY AND EMPLOYMENT GROWTH IN INDIA'S ORGANISED MANUFACTURING SECTOR, 1990-2010

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Data from the Annual Survey of Industries shows us that from 2003-04 onwards, the phenomenon of 'jobless growth' observed during the last decade of the 1990s has given way to a pattern of industrial development wherein significantly high growth rates in value added have been accompanied by high growth rates in employment. The overall employment elasticity arc in the organised manufacturing sector has also shown a considerable increase, especially in the case of labour-intensive industrial groups.

What explains this high growth of job creation post 2003-04 onwards? Do these changes in employment trends represent larger structural shifts taking place within the organised sector? Or are these results, as some reform theorists have argued, the result of trade liberalisation? Furthermore, in what ways does the aforementioned phenomenon signal the further deregulation of the labour market in the country? The basic objective of this paper is to investigate the reasons that might account for this unexpected employment growth. Furthermore, what implications do these trends carry for the labour market and the growing clamour for 'second generation labour reforms'?

Keywords: *Employment growth, Reforms, Labour market, Flexibility, Organised manufacturing*

I. INTRODUCTION

There has been an ongoing debate amongst academicians in India on the impact of growth on employment for different periods since the early 1980s. Scholars are more or less unanimous in the observation that the organised manufacturing sector in India witnessed a period of 'jobless growth' from the early to the late 1980s. As Kannan and Raveendran (2009) point out, while the annual rate of growth of gross value added during this period was about 8.66 per cent, the corresponding annual employment growth was merely 0.53 per cent. Various labour-intensive industries such as textiles and food products witnessed negative employment

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growth leading to large-scale retrenchment of workers. Post the jobless growth witnessed in the 1980s, employment picked up during the first half of the 1990s only to meet with retrenchment thereafter. As Nagaraj (2004) points out, between 1995-96 and 2001-02, 13 per cent of the workforce lost their jobs.

It has been observed through the course of the empirical examinations carried out in this paper that the phenomenon of 'jobless growth' has given way to a pattern of growth wherein significantly high growth rates in value added are accompanied by high growth rates in employment. The overall employment elasticity arc also shows a considerable rise in the employment elasticity of highly labour-intensive industries such as wearing apparel, furniture and metal products.

What explains this high growth of job creation in the organised manufacturing sector? Do these changes in employment trends represent a larger structural shift within the organised sector? Or is the upturn in employment, the result of trade reforms? Moreover, in what ways do these signal the further deregulation of the labour market in the country?

The basic objective of this paper is to investigate the reasons that might account for this unexpected employment growth and to examine the quality of work that has been generated during this period. What implications, furthermore, do these trends carry for the labour market and the growing clamour for 'second generation labour reforms'? The hypothesis of the study is that along with an increase in the contractualisation of labour, there has been a significant degradation in the terms of employment, which has led to this employment growth. Recent amendments to labour laws and not merely the formulation of new ones/ abolition of existing ones have led to the lowering of hire and fire costs. This, the paper argues, has been the primary factor responsible for the push in employment levels in recent years. In an attempt to ascertain the reasons for this deterioration, the following paper undertakes a broad study of changes that have come about with respect to labour regulations and standards. These changes can furthermore be traced down to the changing relations of the State with respect to capital and labour.

II. RESEARCH OBJECTIVES

The following are the research objectives of this paper:

- To investigate the structural changes that have taken place in the organised manufacturing sector during the last two decades (1990-2010) and their impact on employment generation;
- To examine the quality of employment that is being generated in the organised manufacturing sector and the degree of vulnerability that industrial workers face today;
- To examine recent changes in labour legislations and the impact that they have had on employment generation in the organised manufacturing sector; and
- To study the debate on labour market flexibility and to ascertain the need for second generation labour reforms in light of the empirical evidence arrived at in the study.

III. DATA SOURCES AND METHODOLOGY

This study uses the Annual Survey of Industries (ASI) data for the years 1979-80 to 2009-10 to examine the quantitative changes taking place in the Indian manufacturing sector at the

two-digit level.[1] In order to make the time series data comparable, the nominal values of fixed capital, payment of wages, total emoluments and value added have been deflated with the Wholesale Price Index (WPI) measured at 1993-94 prices.[2] Apart from trends in employment and wages, this study also estimates the quality of work for the organised manufacturing sector by employing NSSO unit level data from the 68th and 61st Employment- Unemployment surveys.[3] For trade related data, the study utilises Commodity Trade (COMTRADE) provided by United Nations Conference on Trade and Development (UNCTAD). This data has made been available at the industry level according to International Standard Industrial Classification Rev. 3 (ISIC Rev. 3).[4] The following is matched with the NIC 2004 concordance to give us results at the disaggregated level.

IV. RECENT EMPLOYMENT TRENDS IN ORGANISED MANUFACTURING

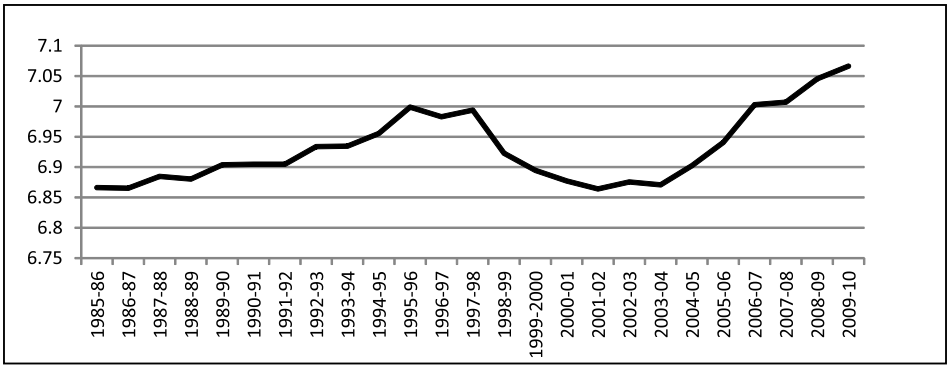
The period of stagnation in employment generation that the Indian manufacturing sector witnessed during the early part of the 2000s, as noted by Nagaraj (2004) and Kannan and Raveendran (2009), has seen a dramatic turnaround during the last seven years (2003-04 to 2009-10), with employment levels in the industrial sector growing at an annual rate of close to 6 per cent per annum (Table 1). Goldar (2011) confirms the same, stating that between 2003-04 and 2008-09, employment in the organised manufacturing sector increased at a very high rate of growth of 7.5 per cent per annum.

As we can see, the employment growth scenario from 1985 to 2004-05 is not a period of continuous stagnation but is marked by a period of increase preceded and succeeded by periods of low employment growth (Figure 1). Between 1997-98 and 2003-04, approximately 0.73 million employees lost their jobs, of which 0.52 million were workers. A key reason for the same was the introduction of the Voluntary Retirement Scheme (VRS), implemented in May 1999, which legitimised retrenchments and lay-offs in the organised private sector. From 2004-05 onwards, however, we notice a marked and sudden increase in the number of people employed in the manufacturing sector.

According to Nagaraj (2011), this impressive turnaround since 2003-04 largely represents a recovery of the employment lost over the previous nine years and a mere

Figure 1

Growth of Employees in the Indian Manufacturing Sector (1985-2010)



Source: Calculated from the Annual Survey of Industries.

Table 1
Annual Growth Rates in the Organised Manufacturing Sector in India, 1973-2010 (in %)

Time Period	*No. of Workers*	*Value Added*	*Labour Productivity*
1973-78	3.26	7.86	4.60
1979-84	0.36	4.43	4.08
1985-90	1.34	6.84	5.50
1991-96	2.78	9.37	6.59
1997-02	-3.51	-0.76	2.74
2003-10	5.84	11.46	5.63

Source: Calculated from the Annual Survey of Industries.

12 per cent rise in employment in 13 years. However, Goldar (2011) points out that the nature of growth that we are presently witnessing is clearly different from the two earlier periods of growth—one in the early 1990s, which saw value added at close to 13 per cent but employment at 2.8 per cent per annum (Goldar, 2011), and the other in the 1980s, wherein employment in the face of high output growth rate was increasing at a miserly 0.3 per cent per annum (ibid.).

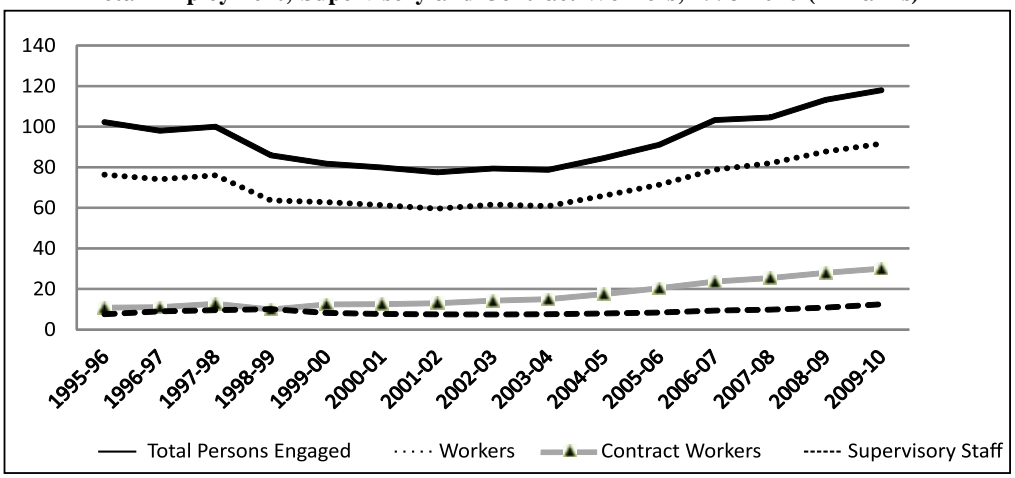
This period, according to Goldar, is significantly different from earlier periods of growth in the respect that high rates of growth in industrial output have been accompanied by sizeable increases in industrial employment. We observe the average annual growth rate in value added during the same to be close to 11.5 per cent per annum (Table 1). Moreover, unlike other periods of employment where a polarisation of growth patterns was found amongst different industrial groups, the present growth spurt has been more or less witnessed uniformly across industrial groups (Table 3).

Tables 2 and 3 present before us the disaggregated performance of the manufacturing sector in terms of valued added, employment growth rate, and employment elasticity for two time periods, that is, 1990-2000 and 2000-2010.[5] Adopting the approach followed by Kannan and Raveendran (2009), the different industry groups at the two-digit level have been divided into 'employment generating' and 'employment displacing' sets.

At an aggregate level, we note that employment growth rate during the first decade was a low 1.08 per cent per annum with the output growth being considerably higher at 5.80 per cent per annum. The overall employment elasticity arc was 0.31. Fifteen out of the twenty industry groups under study exhibited positive employment elasticities arising out of 'employment-creating growth'. However, save for the industry groups 'Wearing Apparel', 'Manufacture of Furniture, Manufacturing n.e.c' and 'Rubber and Plastic Products', none of the other industry groups had an annual employment growth rate of more than 3.5 per cent. The overall sluggishness in the rate of growth of employment would be attributed to the fact that all the industries with a negative employment elasticity arc are labour-intensive by nature.

The next ten years, on the other hand, have witnessed a drastic turnaround with annual employment growth rising from 1.08 per cent to 4 per cent per annum (Table 3). The absolute employment generation was worth more than 2,9,30,000 jobs in this period. The overall employment elasticity arc also increased from 0.31 in 1990-2000 to 0.43 in 2000-

Figure 2
Total Employment, Supervisory and Contract Workers, 1995-2010 (In Lakhs)



Source: Calculated from Annual Survey of Industries, Various issues.

10. Labour-intensive industries such as 'Wearing Apparel', 'Manufacture of Furniture, Manufacturing n.e.c' and 'Fabricated Metal Products, except machinery and equipments', all experienced a considerable rise in their employment elasticity from the previous decade and alone accounted for more than one-fourth of the total employment generated in this period.

V. STRUCTURAL CHANGES IN THE ORGANISED MANUFACTURING SECTOR

What explains this shift in the employment elasticity arc and the high growth of job creation in the organised manufacturing sector? Analysing employment trends in the 1990s, Goldar (2000) states that the brief spurt in employment growth that took place then was primarily due to a change in the size structure of Indian industries in favour of small and medium-sized firms. According to him, during the early 1990s, as a result of changes in economic policies, size classes 50 to 500 gained in terms of employment while the size classes 2000 to 4999, and 5000 and above, lost heavily. In the case of the lower employment size classes, which were more labour-intensive in nature, the aforementioned shifts in distribution of employment share thus had a favourable effect on employment growth.

Testing the aforementioned explanation, this paper presents the distribution of workers by employment size for five different points in time covering the period from 1984-85 to 2009-10. Table 4 shows that indeed the early 1990s saw a drastic fall in the share of workers in the capital-intensive, higher size classes, with the lower size classes being the main beneficiaries. Coming to the year 2009-10, we find that there have not been drastic shifts in the distribution of workers according to employment size from 2002-03 to 2009-10. Although the employment share in the '5000 and above' size class has come down, this has been more than compensated by an increase in the share of size classes '500-999' and '1000-4999'. In fact, the employment share in the most labour-intensive sectors (0-199) fell by 3 per cent during the same period.

Table 2
Growth in Employment, Output and Employment Elasticity in the Organised Manufacturing Sector (1990-2000)

Industrial Group	*Employment (in %)*	*Value Added (in %)*	*Employment Elasticity Arc*	*Absolute Change in Employment (in '000)*
Employment-creating Growth				
Wearing Apparel	9.94	10.92	0.91	158.33
Furniture, Manufacturing n.e.c	8.55	21.07	0.41	58.94
Rubber and Plastic Products	4.54	8.15	0.56	74.36
Motor Vehicles, Trailers, Semi-trailers	3.20	5.75	0.56	55.77
Chemical and Chemical Products	3.13	10.76	0.29	148.52
Paper and Paper Products	2.17	0.26	8.25	26.77
Refined Petroleum Products	1.95	2.31	0.85	9.42
Fabricated Metal Products	1.67	4.83	0.35	31.95
Food Products and Beverages	1.59	6.93	0.23	153.13
Tobacco	1.05	8.03	0.13	44.71
Computer, Electronic, Optical Products	0.89	5.69	0.16	11.05
Leather and Footwear	0.73	1.28	0.57	6.96
Electrical Machinery and Apparatus n.e.c	0.42	1.55	0.27	6.89
Basic Metals	0.28	5.12	0.06	13.31
Other Non-metallic Mineral Products	0.18	4.92	0.04	6.51
Employment-displacing Growth				
Textiles	-0.14	0.28	-0.50	-15.49
Machinery and Equipment n.e.c	-0.33	4.48	-0.07	-10.11
Wood and Wood Products	-1.85	0.72	-2.58	-8.17
Media	-3.11	7.16	-0.43	-27.59
Other Transport Equipment	-6.30	2.66	-2.37	-119.70
Total	1.08	5.80	0.31	625.564

Source: Calculated from Annual Survey of Industries.

Table 3
Growth in Employment, Output and Employment Elasticity in the Organised Manufacturing Sector (2000-2010)

Industrial Group	*Employment (in %)*	*Value Added (in %)*	*Employment Elasticity Arc*	*Absolute Employment Change (in '000)*
Employment-creating Growth				
Wearing Apparel	9.67	8.59	1.13	460.43
Motor Vehicles, Trailers, Semi-trailers	9.43	13.86	0.68	292.98
Furniture, Manufacturing n.e.c	8.15	10.77	0.76	111.39
Electrical Machinery and Apparatus n.e.c	7.33	12.36	0.59	172.14
Refined Petroleum Products	7.06	17.23	0.41	48.19
Rubber and Plastic Products	6.95	10.71	0.65	188.01
Fabricated Metal Products	6.86	12.77	0.54	215.93
Leather and Footwear	6.46	9.30	0.69	103.87
Other Non-metallic Mineral Products	6.25	11.84	0.53	301.51
Basic Metals	5.05	12.73	0.40	276.28
Computer, Electronic, Optical Products	4.61	7.71	0.60	74.08
Wood and Wood Products	4.27	9.95	0.43	19.95
Machinery and Equipment n.e.c	3.90	10.12	0.39	132.72
Media	3.29	5.54	0.59	28.84
Other Transport Equipment	2.61	12.17	0.21	40.92
Paper and Paper Products	2.58	-0.85	-3.01	41.05
Chemical and Chemical Products	2.38	6.04	0.39	146.12
Food Products and Beverages	2.17	5.80	0.38	247.57
Textiles	0.74	2.75	0.27	83.78
Employment-displacing Growth				
Tobacco	-1.30	1.06	-1.22	-55.26
All	4 .00	9.32	0.43	2930.457

Source: Calculated from Annual Survey of Industries, various issues.

Table 4
Distribution of Workers by Employment Size (in %), 1984-85 to 2009-10

Year	*Share of Workers by Employment Size*							
	0-49	*50-99*	*100-199*	*200-499*	*500-999*	*1000-4999*	*5000 and above*	*Total*
1984-85	15.47	9.83	9.06	11.03	11.03	23.89	19.68	100
1990-91	18.21	11.40	11.10	13.68	11.56	19.80	14.25	100
1996-97	16.73	13.38	14.40	18.20	14.30	17.66	5.32	100
2002-03	19.02	11.66	12.93	17.31	11.98	16.96	10.14	100
2009-10	15.43	11.41	13.57	18.81	13.88	19.24	7.66	100

Source: Calculated from Annual Survey of Industries.

Compositional Shifts

According to Nagaraj (1994) and Papola (1994), the period of jobless growth in the 1980s was marked by changes in the compositional output of the organised manufacturing sector in favour of less labour-intensive and more capital-intensive employment. There was a slower growth of industries having high employment intensity and faster growth of industries having low employment intensity. Such changes in the industrial composition of output had a discouraging effect on the growth rate of employment in the economy. Similarly, Kannan and Raveendran (2009), while discussing the period of jobless growth post the reforms, attributed this to demand side changes in favour of capital-intensive products.

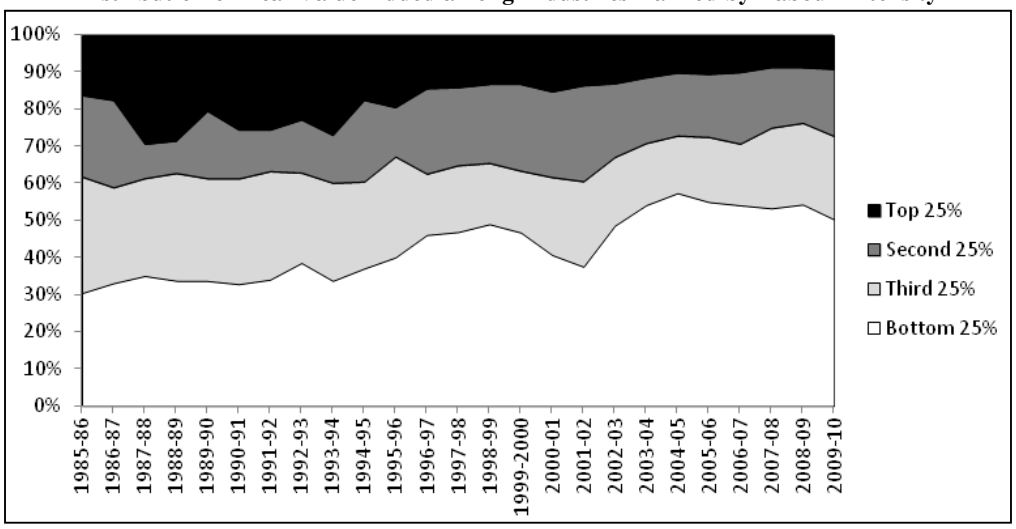
The shift towards capital-intensive production during the first decade post the economic reforms, interestingly, goes contrary to the very logic of the reforms. With the re-emergence of the neo-classical paradigm in the late 1980s, it was argued that India's employment problems originated in the distortions of the factor and goods market. These constrained economic growth and gave rise to a production structure that was little conducive to the use of labour. It was only with the elimination of such distortions that higher levels of employment and better wages could be achieved. With the advent of trade liberalisation, labour-abundant countries like India were expected to shift their industrial structure towards labour-intensive industries. Moreover, it was expected that the policy changes would provide greater encouragement to the application of labour-intensive production methods. However, Rani and Unni (2004), and Chaudhuri (2002), also report a decline in labour intensity across manufacturing sub-branches in both the organised and unorganised sections of Indian industry.

In light of the recent growth spurt, it is necessary to re-examine the overall changes in labour intensity. For this, the industry groups have been ranked according to their labour intensity (employment-value added ratio) and the shares of the top 25 per cent, second 25 per cent, third 25 per cent and bottom 25 per cent have been calculated (Figure 3). We can clearly see a downward trend in the top 25 per cent and an upward trend in the bottom 25 per cent. This implies a decline in the labour intensity of the organised sector due to compositional changes.

We also note that post the reforms, in terms of rate of employment growth, labour-intensive industries have been outperformed by capital-intensive industries for both time periods, that is, 1991-2000 and 2001-2010.[6] The period from 2005 to 2010 witnessed an extremely high growth of employment in capital-intensive industries at 7.44 per cent per annum as against the 4.23 per cent per annum achieved by labour-intensive industries (Table 5).

Even in absolute numbers, the last five years have witnessed greater employment generation in capital-intensive industries as compared to labour-intensive industries. The same pattern is repeated for most labour-intensive industries at a disaggregated level (Table 6), with only the 'Manufacture of Tobacco Products' (NIC 16) industry recording a significant decrease in the annual employment growth rate. Similarly, all capital-intensive industries (Table 7), save for 'Chemical and Chemical Products', exhibited relatively higher rates of employment growth during the period 2001-2010 as compared to 1991-2000.

Figure 3
Distribution of Real Value Added among Industries Ranked by Labour Intensity



Source: Calculated from Annual Survey of Industries.

Table 5
Employment Growth Rates of Labour-intensive and Capital-intensive Industries, 1991-2010

Time Period	*Labour-intensive in % (Growth in absolute nos.)*	*Capital-intensive in % (Growth in absolute nos.)*
1991-2000	0.75 (2,72,952)	1.67 (3,52,594)
2001-2010	3.12 (14,03,460)	5.39 (14,11,904)
2000-2005	1.03 (2,41,120)	0.57 (79,701)
2005-2010	4.23 (11,62,340)	7.44 (13,32,203)
1991-2010	1.95 (16,76,412)	3.24 (17,64,498)

Source: Calculated from Annual Survey of Industries.

Although overall the level of employment in labour-intensive industries is higher, we observe that over the last twenty years, the share of employment in labour-intensive industries has been steadily decreasing (Table 8). This goes contrary to the logic of the reform process, which argued that increased liberalisation would result in a shift in employment generation from the capital-intensive industries to labour-intensive ones.

The above findings also put to question the Stolper–Samuelson refinement of the H-O proposition,[7] which argues that free trade increases the demand for unskilled labour in countries with an abundance of labour, and also raises wages once any surplus labour is eliminated. Conversely, with increased trade, capital-intensive countries experience a rise in demand for skilled labour. When viewed from this perspective, trade liberalisation appears unambiguously beneficial for labour-intensive developing countries. Not only does increased trade augment growth and efficiency, it also simultaneously raises employment opportunities and wages for unskilled labour.

Table 6

Average Employment Growth Rates of Labour-intensive Industries, 1991-2010 (in %)

Industry	*1991-2000*	*2001-10*	*2005-10*	*1991-2010*
Food Products and Beverages	1.59	2.17	3.04	1.78
Manufacture of Tobacco Products	1.05	-1.30	-2.00	-0.07
Textiles	-0.14	0.74	1.51	0.35
Wearing Apparel	9.94	9.67	10.84	10.39
Leather and Footwear	0.73	6.46	9.08	4.31
Wood and Wood Products	-1.85	4.27	6.86	0.85
Publishing, Printing and Reproduction of Media	-3.11	3.29	6.28	-0.01
Fabricated Metal Product except Machinery Equipments	1.67	6.86	9.65	4.53
Machinery and Equipment n.e.c	-0.33	3.90	5.33	1.43
Other Transport Equipment	-6.30	2.61	3.71	-1.82
Manufacture of Furniture; Manufacturing n.e.c	8.55	8.15	6.19	7.61

Source: Calculated from Annual Survey of Industries.

Table 7

Average Employment Growth Rates of Capital-intensive Industries, 1991-2010

(in %)

Industry	*1991-2000*	*2001-10*	*2005-10*	*1991-2010*
Paper and Paper Products	2.17	2.58	4.49	2.46
Manufacture of Coke, Petroleum and Nuclear Fuel	1.95	7.06	7.68	3.88
Chemical and Chemical Products	3.13	2.38	4.20	2.67
Rubber and Plastic Products	4.54	6.95	8.26	5.33
Other Non-metallic Mineral Products	0.18	6.25	7.14	3.04
Basic Metals	0.28	5.05	8.00	2.01
Electrical Machinery and Apparatus n.e.c	0.42	7.33	11.26	3.63
Motor Vehicles, Trailers and Semi-trailers	3.20	9.43	10.52	5.88
Computer, Electronic, and Optical Products	0.89	4.61	7.77	2.63

Source: Calculated from Annual Survey of Industries.

Table 8

Share of Employment in Labour and Capital-intensive Industries, 1991-2010 (in %)

Year	*Labour-intensive Industries*	*Capital-intensive Industries*
1990-91	64.49	35.51
1999-2000	62.34	37.66
2005-06	62.63	37.37
2009-10	58.39	41.61

Source: Calculated from Annual Survey of Industries.

In fact, a number of commentators are of the opinion that the answer to the employment boom witnessed during the last seven years might lie in the radical changes that have taken place in India in its orientation towards the international trade regime during the post-liberalisation period. According to them, the initial 'teething troubles' of the reform process, which led to slow growth of employment experienced in the 1990s, were overcome by the turn of the millennium and globalisation started having its beneficial effects on employment.[8]

Testing the above hypothesis, we note that contrary to conventional theoretical expectations, trade liberalisation expands the exports of labour-intensive industries, and that some of the high labour-intensive industries such as 'Food Products and Beverages' (NIC 15), 'Textiles' (NIC 17), and 'Wearing Apparel' (NIC 18) have, in fact, seen a considerable decline in the annual growth of their exports from the rates experienced in 1989-1999 to those in 2000-2010 (Table).[9] The period from 2005 to 2010 also saw a noticeable fall in annual export growth rates across most industrial groups. The remaining industries, except 'Other Transport Equipment' (NIC 35) and 'Tobacco Products' (NIC 16) registered only a slight increase or remained at a steady level. Moreover, the share of labour-intensive industries in India's export basket actually went down from 81.15 per cent in 1990 to 58.81 per cent in 2010 (Table 10).

Tables 11 and 12 present the annual growth rate of employment generated by export- oriented industries and import-competitive industries, respectively. Interestingly, the period 2005-10 saw employment in import-competitive industries grow at a faster rate than that in export-oriented industries. At a disaggregated level, we note that most of the two-digit export-oriented industries, save for NIC-36 and NIC-16, experienced an increase in annual employment growth during the period 2000-2010 as compared to the previous decade. The growth rate was even higher during the last five years (2005-2010) across most export-oriented industry groups.[10]

The average annual employment growth rates for import-competitive industries, which were dismally low uniformly during the period 1990-2000, shot up during the next decade with the industry groups 'Basic Metals' (NIC 27) and 'Electrical Machinery and Apparatus n.e.c' (NIC 31), registering growth rates that were higher than 5 per cent per annum.

The employment growth observed in the manufacturing sector during the last five years, is, against conventional trade theory expectations, not only taking place in industry groups oriented towards export commodity production but is also a phenomenon in the traditionally capital-intensive import-competitive industries. Indeed, the last five years have seen average employment growth in import-competitive industries shoot up with only the 'Chemical and Chemical Products' (4.20 per cent) and 'Other Transport Equipment' (3.71 per cent) sectors registering employment growth rates of less than 5 per cent per annum.

Table 9

Export Growth Rate, Manufacturing Sector, 1989-2010

Industry	*Growth Rate of Exports (in %)*			
	1989-10	*1989-99*	*2000-10*	*2005-10*
Food Products and Beverages	7.21	7.24	6.13	7.68
Manufacture of Tobacco Products	8.03	8.80	7.94	10.98
Textiles	7.32	10.68	3.14	3.02
Wearing Apparel	5.81	9.21	0.99	-0.05
Leather and Footwear	3.74	2.83	3.49	2.01
Wood and Wood Products	8.43	-1.89	14.54	0.66
Paper and Paper Products	18.07	23.11	9.43	7.19
Publishing, Printing of Recorded Media	7.10	17.05	-6.24	-12.33
Coke, Petroleum Products and Nuclear Fuel	33.45	33.80	29.41	18.74
Chemical and Chemical Products	11.88	11.21	10.76	8.78
Rubber and Plastic Products	11.59	12.01	10.49	6.71
Other Non-metallic Mineral Products	13.20	17.59	6.28	3.00
Basic Metals	16.21	12.92	16.78	11.49
Fabricated Metal Products, except Machinery	10.34	12.01	7.20	3.79
Machinery and Equipment n.e.c	13.20	10.06	14.86	11.36
Electrical Machinery and Apparatus n.e.c	13.46	9.44	14.91	13.82
Manufacture of Motor Vehicles, Trailers Semi-trailers	15.37	7.81	20.41	15.28
Other Transport Equipment	16.80	10.68	21.93	25.18
Manufacture of Furniture, Manufacturing n.e.c	9.76	9.61	9.49	8.37
Computer, Electronic and Optical Products	11.05	5.47	14.42	15.83
Others	9.38	3.13	14.15	-3.72
Total	9.78	9.49	8.87	8.04

Source: UN COMTRADE data, 1989-2010.

Table 10

Share of Labour and Capital-intensive Industries in India's Export Basket

Year	*Share of Labour-intensive Industries*	*Share of Capital-intensive Industries*	*Others*
1990	81.15	18.71	0.41
1995	77.27	23.15	0.19
2000	74.79	26.01	0.22
2005	64.46	35.40	0.80
2010	58.81	40.99	0.39

Source: Author's own calculations from UN COMTRADE data, 1989-2010.

Table 11
Employment Growth Rate in Export-oriented Industries, 1980-2010

Industry	*1980-90*	*1990-99*	*2000-10*	*2005-10*	*1990-2010*
Wearing Apparel	6.75	9.94	9.67	10.84	10.39
Leather and Footwear	4.89	0.73	6.46	9.08	4.31
Textiles	-1.73	-0.14	0.74	1.51	0.35
Fabricated Metal Products,	1.32	1.67	6.86	9.65	4.53
Food Products and Beverages	-0.47	1.59	2.17	3.04	1.78
Rubber and Plastic Products	2.6	4.54	6.95	8.26	5.33
Other Non-Metallic Mineral Products	2.57	0.18	6.25	7.14	3.04
Manufacture of Coke, Petroleum Products	3.42	1.95	7.06	7.68	3.88
Tobacco Products	2.89	1.05	-1.3	-2	-0.07
Furniture, Manufacturing n.e.c	-0.25	8.55	8.15	6.19	7.61
Total	-0.20	1.48	3.66	4.17	2.57
Absolute Change (in '000)	-60.9	528.82	1705.4	1047.48	2236.97

Source: Calculated from Annual Survey of Industries.

Table 12
Employment Growth Rate in Import-competitive Industries

Industry	*1980-89*	*1990-99*	*2000-10*	*2005-10*	*1990-2010*
Computer, Electronic, and Optical Products	2.34	0.89	4.37	7.77	2.63
Other Transport Equipment	-0.18	-6.3	2.61	3.71	-1.82
Paper and Paper Products	0.86	2.17	2.58	4.49	2.46
Electrical Machinery and Apparatus n.e.c	2.1	0.42	7.33	11.26	3.63
Chemical and Chemical Products	1.94	3.13	2.38	4.2	2.67
Basic Metals	0.88	0.28	5.05	8	2.01
Publishing, Printing of Recorded Media	-1.33	-3.11	3.29	6.28	-0.01
Machinery and Equipment n.e.c	-0.09	-0.33	3.9	5.33	1.43
Wood and Wood Products	-1.1	-1.85	4.27	6.86	0.85
Total	0.92	0.21	3.96	6.32	1.83
Absolute Change (in '000)	160.78	40.96	903.24	899.15	872.19

Source: Calculated from Annual Survey of Industries.

VI. TOWARDS A POLITICAL ECONOMY APPROACH

The argument that the employment growth witnessed during the last decade is the result of greater trade openness appears to have little empirical support. The export basket, for one, has not shifted in favour of labour-intensive industries. Employment generation has occurred at a faster pace in capital-intensive industries. More importantly, a disaggregated analysis of these broad divisions revealed that there is no uniformity in the employment experience of these various industrial groups classified either as import- or export-oriented. As against this, an alternative explanation for this boom may be located in a political economy framework which argues that it is due to changes in the nature of the State's engagement with both labour and capital that has led to these aforementioned changes.

The argument being offered here is that the quality of employment has been severely degraded during the last six to seven years, which has made the labour market far more flexible for the employer.

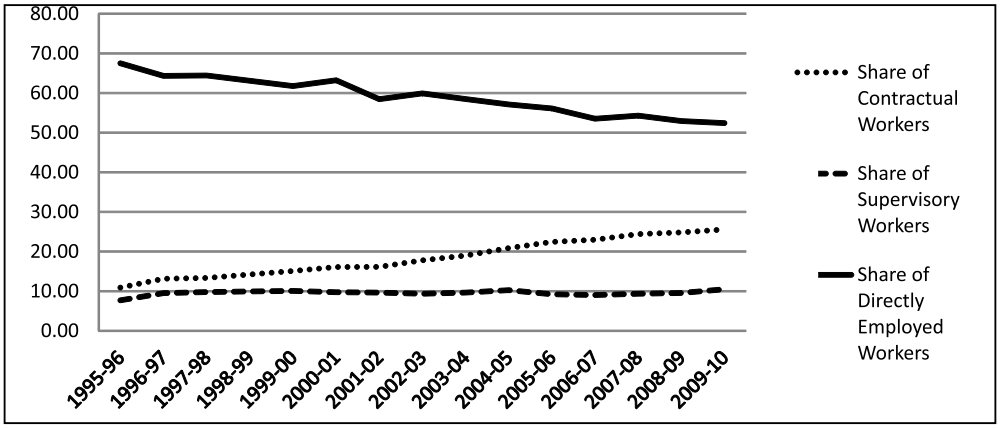
Workers in the organised manufacturing sector are experiencing increasingly vulnerable terms of employment, which has affected their bargaining power in the labour market while making it far more convenient for employers to hire directly on the factory floor; this resulting in the employment boom that we have witnessed.

A key indicator of this shift has been the increasing contractualisation of work in the manufacturing sector. According to the NCEUS (2009) report, the employment generation that took place in the organised sector post the economic reforms has been largely informal in nature. Surveys by Sharma and Sasikumar (1996) have shown that employment expansion in the manufacturing sector during the early 1990s took place mostly through a non-permanent workforce. The work by Bhandari and Heshmati (2006) concurs with this finding, stating that the share of both contract as well as temporary workers in the Indian manufacturing sector, excluding administrative and managerial workers, doubled over the period 1992-2001.

As Figure 4 shows, the last 15 years have indeed, witnessed a jump in the share of contractual workers as a percentage of the total number of persons engaged from 10.92 per cent in 1995-96 to 25.56 per cent in 2009-10. The share of directly employed workers fell by more than 15 per cent during the corresponding time period. Growth in the share of supervisory/managerial staff has been relatively low, with an increase of only 2.77 per cent being recorded for the period studied.

We note that the employment lost in the late 1990s and the early 2000s has been primarily generated in the category of directly employed workers, with contractual employment in fact witnessing a rise throughout those years (Table 13). The period of jobless growth thus witnessed a substitution of directly employed workers by contractual workers. The turnaround in the employment scenario that has happened in recent years, that is, from 2003-04 onwards, when the organised sector employment saw an unprecedented increase, has been much more for the contractual workers than the directly employed workers, with the number of the former growing by 12.4 per cent from 2003-04 to 2009-10, and that of directly employed workers by 5.1 per cent.

Figure 4
Contract, Supervisory and Directly Employed Workers as a Percentage of Total Persons Engaged, 1995-2010



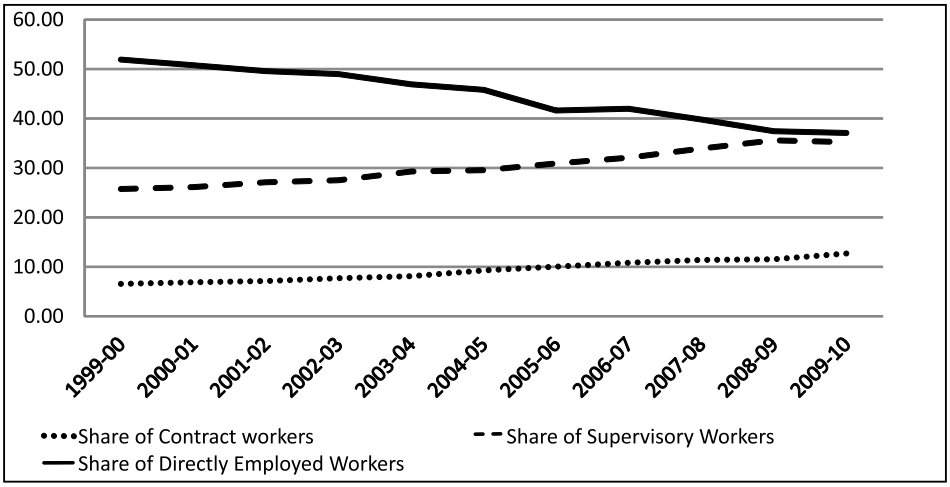
Source: Calculated from Annual Survey of Industries, Various issues.

Table 13
Growth Rate by Category of Workers in Organised Manufacturing (in %)

Worker Category	*1995-96 to 2002-03*	*2003-04 to 2009-10*	*1995-96 to 2009-10*
Directly Employed Workers	-3.15	5.11	0.38
Employed through Contractor	5.35	12.37	8.70
Managerial Staff	0.34	8.24	2.69
Total Persons Engaged	-1.47	7.10	2.21

Source: Sood, *et al.* (2014).

Figure 5
Wages of Contract, Supervisory and Directly Employed Workers as a Percentage of Total Wages (1999-00 to 2009-10)



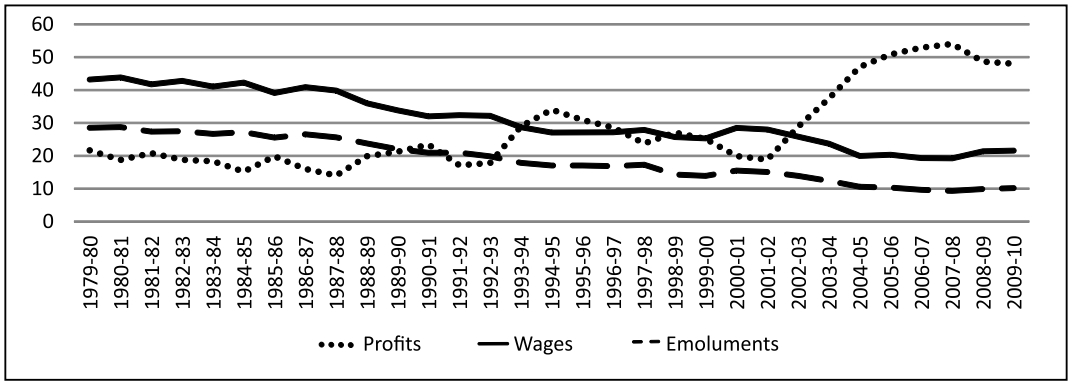
Source: Calculated from Annual Survey of Industries, Various issues.

Interestingly though, the distribution of wage share in the organised manufacturing sector did not follow the trends witnessed in Figure 4. The share of wages received by the supervisory staff increased sharply from 25.75 per cent in 1999-2000 to 35.23 per cent in 2009-10. This is a startling observation, given the fact that in terms of employment, their share increased by 0.40 per cent during the same time interval. The share of contract workers' wages as a share of the total increased by about 6.1 per cent from 6.56 per cent in 1999-2000 to 12.72 per cent in 2009-10. Given that the increase in their employment shares was almost double during the same time period, it is clear that inequalities are rising in the organised manufacturing sector with the supervisory staff increasingly enjoying more and more of the wage pie.

It may also be noted that the share of wages as a percentage of value added has reduced considerably over the years (Figure 6), even as labour productivity has increased (Figure 7) so that the gains of productivity have accrued only to the employers. The gains have clearly gone to capital as clearly seen by the rise in the share of profits, particularly in the 2000s.

Figure 6

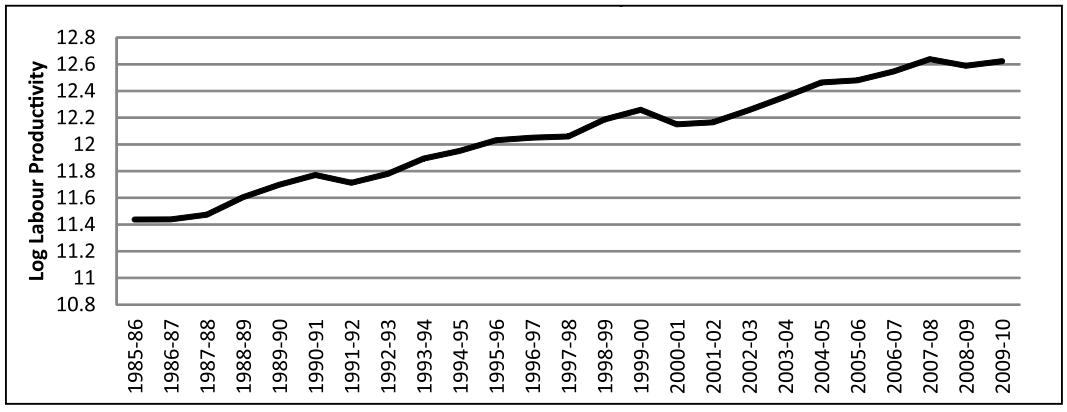
Share of Profits, Wages and Emoluments as % of GVA (1979-80 to 2009-10)



Source: Calculated from Annual Survey of Industries

Figure 7

Labour Productivity



Source: Calculated from Annual Survey of Industries

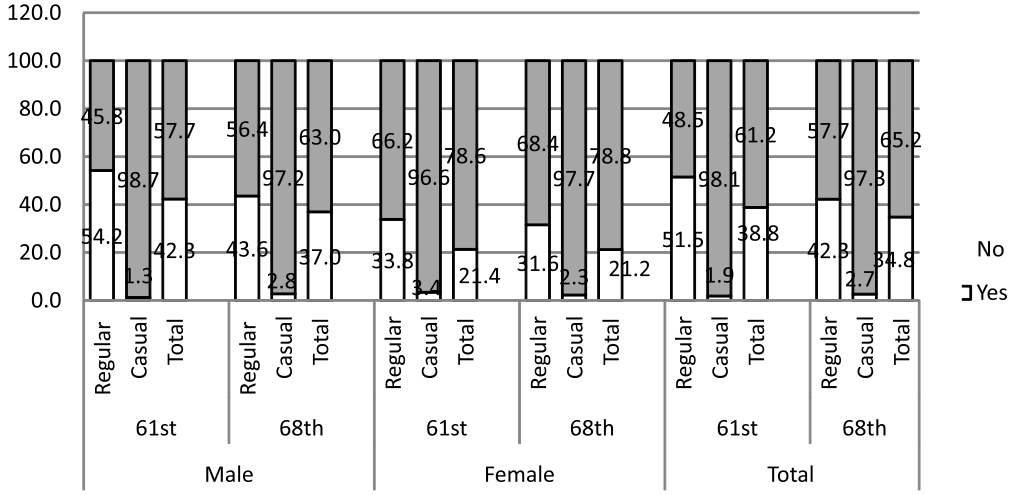
Table 14
Type of Job Contract Offered in Organised Manufacturing (in %)

Sex	*Status*	*No Written Job Contract*		*For One year or Less*		*For 1-3 Years*		*More than Three Years*	
		2004-05	*2011-12*	*2004-05*	*2011-12*	*2004-05*	*2011-12*	*2004-05*	*2011-12*
Male	Regular	62.63	70.97	2.76	2.92	3.37	3.4	31.24	22.71
	Casual	97.35	97.75	0.37	1.07	1.09	0.11	1.19	1.08
	Total	70.43	75.3	2.22	2.62	2.86	2.87	24.49	19.21
Female	Regular	67.54	86.85	2.64	1.81	3.34	2.03	26.48	9.31
	Casual	96.19	98.96	1.68	0.24	0.47	0	1.66	0.8
	Total	79.25	91.14	2.25	1.25	2.17	1.31	16.34	6.3
Total	Regular	63.28	72.73	2.74	2.8	3.37	3.25	30.61	21.23
	Casual	97.04	98.06	0.72	0.85	0.92	0.08	1.31	1.01
	Total	71.89	77.5	2.23	2.43	2.75	2.65	23.13	17.41

Source: Sood, *et al*. (2014).

The bourgeoning growth of contractual employment in the organised sector is a concern as the recruitment of a casual or contract worker is usually regarded as an indicator of flexibility because conventional statutory regulation rarely applies to them. As Bhandari and Heshmati (2006) point out, contractual workers are deprived of the fundamental benefits of their job status since they are excluded from a wide range of regulations stipulating conditions of work, retrenchment and wages applicable to their directly employed counterparts.

Figure 8
Eligibility of Paid Leave by Sex and Status, 2004-05 and 2011-12



Source: Sood, *et al*. (2014).

VII. QUALITY OF EMPLOYMENT

The growth of a labour force that is primarily contractual in nature raises questions about the conditions of work that are available in the organised manufacturing sector. Using NSSO data from the 61stand 68th Employment–Unemployment surveys, the following section endeavours to address this very concern.[11] Broadly, it takes the following four indicators to measure job quality, viz.: (i) the type of job contract; (ii) eligibility for paid leave; (iii) access to social security benefits; and (iv) membership in trade unions, and tries to assess the degree of vulnerability that workers are facing today.[12]

The type of job contract being offered to the workers, for one, serves as a good indicator of the nature of job security, and hence employment quality. A verbal commitment or a contract of a short duration is generally seen as an indicator of the growing vulnerability of the workforce with the employer being granted more freedom in hiring and firing workers as per requirements. The danger of being exploited is especially high, when it comes to the question of oral contracts which seldom have any legal backing behind them. According to Beck (2000), the growth of such contracts represents a shift in risk-taking from the employing organisation to the individual.

It has been found that for the year 2011-12, 77.50 per cent of the total workforce employed in the organised manufacturing sector had no written job contracts, with another 2.43 per cent having written job contracts for less than a year (Table 14). What is even more disturbing is the fact that more than 70 per cent of all regular salaried workers in the organised sector had no written job contract.[13]

Comparing with the data for the 61st Round, we observe that during the past six years, the contract situation of workers has, in fact, deteriorated with the share of workers who do not have a written contract increasing by close to 6 per cent. Female workers find themselves in a far more precarious situation with more than 91 per cent of them having no written contract and only 6.30 per cent having a contract of more than three years in 2011-12.

Another key indicator of the quality of employment concerns itself with the question of entitlement of paid leave given to the worker. Paid leave may take on various different forms with the most common form being the observance of paid holidays wherein the worker receives the same amount that he/she is entitled to on a regular working day. It is a good indicator that the worker in question is employed in the formal economy and whose contract is backed by legal redress mechanisms. Not only do paid leave entitlements ensure greater job security, but they often play a crucial role in times of crises such as incidences of sickness of the worker or a dependant. As seen in Figure 8, only 34.8 per cent of the workers were entitled to any paid leaves during the year 2011-12 as against 39 per cent of workers during the year 2004-05. In terms of regular wage workers, the fall is even more significant, with the eligibility falling from 51.5 per cent in 2004-05 to 42.3 per cent in 2011-12.

The next indicator pertains to the coverage of social security benefits ensured for the organised sector workers. The significance of social security benefits lies in the fact that they aim not only to protect the interests of the industrial worker but also his/her immediate dependants by

offering benefit packages in financial security and healthcare. Designed to guarantee at least long-term sustenance for families whose earning member dies, retires or suffers a disability, the value of such schemes lies in the fact that they primarily act as a facilitator by helping people plan their own future through insurance and assistance. Thus, these schemes not only capture the quality of employment that the worker is presently experiencing but also the standard of living that the worker and his/her family would continue to enjoy in the future.

As Table 15 shows, the percentage of total workers not eligible for any form of social security increased by close to 6 per cent from 2004-05 to 2011-12, with more than 66 per cent of the workers being ineligible for such safety nets in 2011-12. Alarmingly, the share of regular workers eligible for such benefits fell drastically from 51.56 per cent to 39.68 per cent during the same period. Female workers fare much worse than men with only 27.20 per cent of all of them being eligible for social security as against the 34.48 per cent of the men being eligible for the same (Figure 9).

Table 15

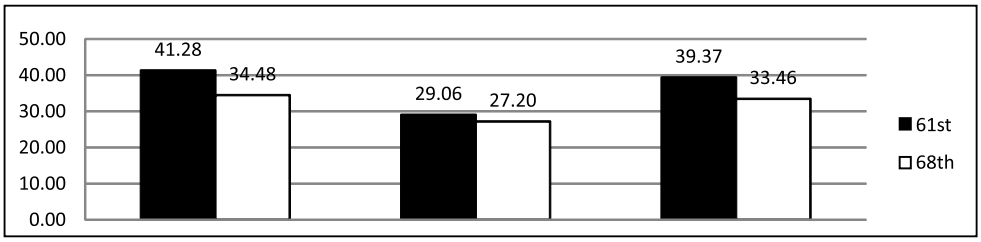
Social Security Benefits amongst Regular and Casual Workers (in %), 2004-05 and 2011-12

Social Security Benefits	*2004-05*			*2011-12*		
	Regular	*Casual*	*Total*	*Regular*	*Casual*	*Total*
Only PF/pension	13.94	0.99	10.63	12.16	0.72	10.01
Only gratuity	0.92	0.02	0.69	1.27	0.15	1.06
Only healthcare and maternity benefits	1.82	0.29	1.43	3.44	0.99	2.98
Only PF/pension and gratuity	4.07	0.17	3.07	4.18	0.67	3.52
Only PF/pension and healthcare and maternity benefits	6.09	1.13	4.82	5.88	2.54	5.25
Only gratuity and healthcare and maternity benefits	3.13	0.08	2.35	2.1	0.13	1.73
PF/pension, gratuity, healthcare and maternity benefits	21.6	1.19	16.38	10.65	1.49	8.92
Not eligible	48.44	96.12	60.63	60.32	93.31	66.54
Total	100	100	100	100	100	100

Source: Sood, *et al.* (2014).

Figure 9

Eligibility for Social Security by Sex, 2004-05 and 2011-12

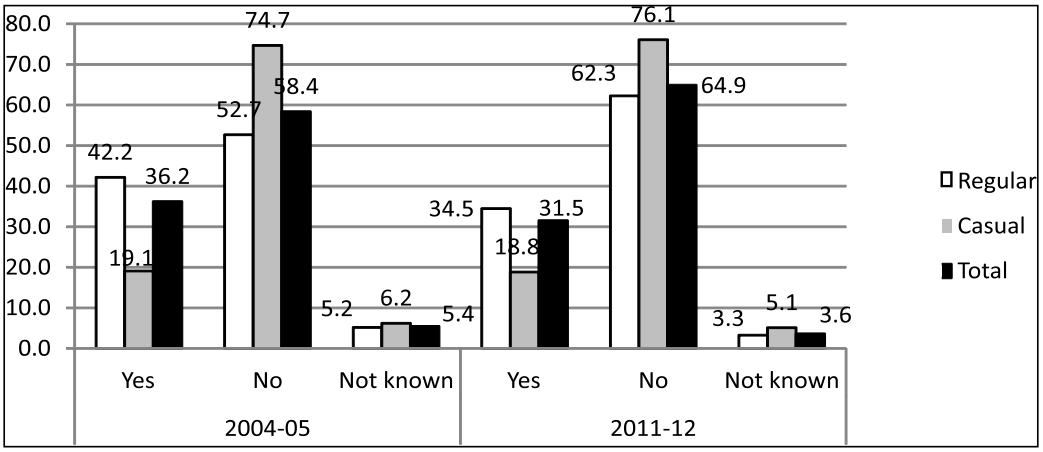


Source: Calculated from unit records, NSS 68th and 61st Rounds.

Union presence and participation remain key markers of the processes of social dialogue and worker involvement in any sector/industry. As collective organisations of workers formed

Figure 10

Presence of a Union/Association, 2004-05 & 2011-12

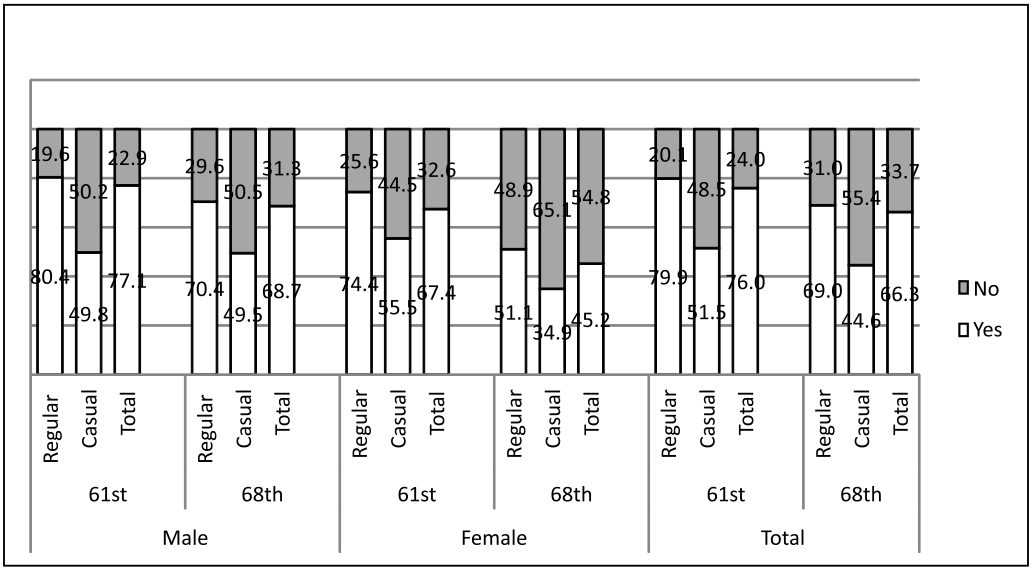


Yes	No	Not known	Yes	No	Not known
61st			68th		

Source: Calculated from unit records, NSS 68th and 61st Rounds.

Figure 11

Member of Union/Association, 2004-05 and 2011-12 (in %)



Source: Sood, *et al.* (2014).

for the purpose of securing better conditions of work for all, trade unions aim to negotiate with firm owners over concerns regarding job security, wage hikes, and working hours, among other things. Generally considered as an improvement in the quality of employment that one is undertaking, they seek to protect workers against unfair dismissals and the support claims of compensation for injuries sustained during the course of the work.

Figure 10 shows that in the organised sector, only around one-third of the workers have access to an association/union in their workplace. While 36.2 per cent of the total workers knew of a union or association in their activity in 2004-05, the corresponding number fell to 31.5 per cent by 2011-12. Even among regular workers, by 2011-12, only 34.5 per cent were aware of unions in their work spaces, with the share of the same coming down from 42.17 per cent in 2004-05. Moreover, we note that the membership of labour unions has been declining along with the overall presence of the union or association in any activity. As can be seen from Figure 11, amongst those workers who admitted of the presence of a union or association in their activity, it was found that for the year 2004-05, only 76 per cent were members of a union or an association, which figure fell drastically to 66.3 per cent in 2011-12.

From the above analysis, we can draw two important conclusions regarding the organised manufacturing labour market. One, the situation of workers in the supposedly protected organised sector is extremely precarious in terms of job quality. Only a fraction of the labour market is receiving the entitlements deemed to it by law. The second and far more worrying aspect is that these already low figures are rapidly worsening with time. Between 2004-05 and 2011-12, the share of workers having a written contract for more than three years fell by close to 6 per cent. This fall was accompanied by significant drops in the percentage of workers eligible for paid leave (4 per cent) and non-wage benefits such as social security schemes (6 per cent) for the same time period. The percentage of workers admitting of the presence of unions/associations in their sphere of activity dropped by close to 6 per cent during this time, while there was a close to 10 per cent fall in the share of workers who were members of the same. Moreover, these deteriorating trends are not only applicable to casual workers but are also being witnessed in the case of the supposedly better off regular wage workers.

VIII. CASUALISATION AND EMPLOYMENT GROWTH

It has been argued that the costs associated with the maintenance of labour standards, social security and employers' provident fund, not to mention any compensation costs arising from retrenchment/closure or any such eventuality, all act as disincentives for hiring more workers in the organised manufacturing sector (see Adhvaryu, *et al.*, 2011; Besley and Burgess, 2004). Employers resent the responsibility 'forced' upon them of providing security and other benefits to their employees, which they view as an unnecessary burden and cost to their overall production schema.[14] As Lazear (1990) puts it, high severance pays reduce the number of jobs created in the formal economy. In such a situation, it becomes far more lucrative and cost-saving for employers to outsource work.

However, this is not always the most desirable option for industrial owners. First of all, there are the issues concerning the quality of the product being produced by workers who are not under the direct supervision of firm managers. Firm owners with the resulting loss of control are, moreover, far more dependent upon their suppliers. Often, there are sluggish responses to demand fluctuations, coupled with slow issue resolutions.

Given the issues with sub-contracting, as stated above, there is an argument that with lowered labour regulations and associated costs, firms would rather hire workers directly on the establishment floor, resulting in the growth of jobs in the factory sector. For example, the employment boom witnessed in South Africa in 2011, according to Richard Pike, CEO, Adcorp, was primarily due to the casualisation of employment standards in the country. As he puts it, it was for the first time that the 'formal' sector drew out workers from the informal economy.[15] A report by the European Foundation for the Improvement of Living and Working Conditions (2011) stated that contract flexibility was found to have a positive correlation with employment generation.[16] Similarly, Ahsan and Pagés (2009) reveal that contract labour use was found to have a positive effect on employment. The argument offered is that with an increase in casualisation, hire and fire costs go down for the employer, and it leads to far more flexibility in terms of the hiring of workers, especially during pro-cyclical /upswing periods.

As we have already seen, there has been a considerable deterioration in the quality of employment generated in the manufacturing sector. If the conditions of work are deteriorating, it logically implies that the costs associated with the hiring of new workers (which itself is dependent upon labour laws operating in the organised sector) are coming down. There is far more incentive now for employers to hire workers directly on the establishment floor. Given the fact that the period 2004-10 saw India's economy grow at close to 7 per cent per annum,[17] this phase of the upswing also led to a corresponding increase in employment, though of a casual kind. This phenomenon of increasing casualisation of the labour force and the subsequent lowering of hire and fire costs, the author argues, is the primary factor responsible for the push in employment levels in the organised manufacturing sector in recent years.

IX. WHY THE DETERIORATION IN EMPLOYMENT QUALITY?

Having put forth the aforementioned argument, it needs be questioned as to why there has been such a massive deterioration in the employment quality during the post-reform era. This study attributes the above to the changing role of the State with respect to both labour and capital during the post-reform era. The reforms of the early 1990s, as Sen and Dasgupta (2009) point out, signalled a marked departure in the State's attitude towards labour from that which was observed during the preceding 40 years post-Independence. As they point out, the early years of Nehruvian planning saw labour enjoy the right to claim job tenures as well as job-related benefits from the employers with the State keeping a constant eye on labour-related concerns.[18]

The liberalisation of the Indian economy has, however, had a significant impact on both the willingness and the obligation of the State to take care of the interests of labour. Since the advent of the reforms, successive governments at the Centre have brought about policy changes tailored to meet the demands of the Washington Consensus programme. One major aspect of the same has been the need to send out the correct signals to international capital, particularly portfolio finance. In order to achieve this, the State has had to modify

its approach towards the different markets including the labour market in order to project the domestic economy as investor-friendly. The opening up of the markets has, moreover, led to a 'race to the bottom' in terms of labour standards amongst developing countries, with all of them being keen to attract foreign investment in their markets. This period, which has witnessed the increasing power of global capital and the waning away of the social democratic ideology, finds the State coming back to its systemic role of defending the rights of capital in an unambiguous manner.

Bhattacharya (2007) argues that the organised sector has been recently subject to 'reforms by stealth', which includes the granting of exemptions from specific labour regulations to particular activities, explicitly anti-labour stands adopted by State-controlled arbitration mechanisms and judicial re-interpretations of already existing laws, which are highly biased in favour of capital. These changes have been instrumental in making the organised labour market far more flexible even though the labour legislations per se have not witnessed a radical change.

For one, a number of court rulings during the last 10-15 years have gone on to strengthen the position of the employer vis-à-vis the employee. Thakur (2007) points out that activities such as agitations, demonstrations, bandhs, and processions are being curbed with firm judgements. This was clearly evident in the Kerala High Court's 1997 judgement, which held the calling for 'bandh' by any association, political party or organisation and the enforcement of the same as illegal and unconstitutional.[19] The right to call for strikes by even government employees, as evident in the mass strike case in Tamil Nadu in 2003, was deemed illegal by the judiciary.[20]

In 2001, the Supreme Court quashed the 1976 Central Government notification, which prohibited the use of contract labour for tasks like cleaning, sweeping, dusting and guarding buildings owned and occupied by Central public sector units.[21] This decision in the process also reversed a prior 1996 Supreme Court judgement with respect to 'appropriate government' and 'automatic absorption of contract labour for public sector units. Again on 1 February 2007, the Supreme Court held that if an illegally-sacked employee is re-instated on the orders of a Court, it could not automatically entitle him to back wages.[22] It is the worker's burden to prove that he/she was not gainfully employed during the interim period.[23]

Similarly in 2010, the Supreme Court ruled that it is for a non-regular employee to prove that he/she has continuously worked for 240 days in a year to seek regularisation of work and avert an arbitrary termination, quashing in the process, the reasoning adopted by an earlier bench of the Rajasthan High Court which placed the burden on the employer.[24] Since most of the casual labourers work on oral contracts, it becomes extremely difficult for them to establish the duration of their employment.

These rulings have been accompanied by the introduction of new Acts or amendments to previous ones that seek to exempt particular activities from certain labour regulations. The 'Micro, Small and Medium Enterprises Development Act, 2006', for one, exempts such industries from Government inspection under a series of labour legislations. It instead seeks to promote self-certification/regulation by the enterprises themselves. Similarly, The Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain

Establishments) Amendment and Miscellaneous Provisions Bill, 2011, seeks to widen the number of establishments that are exempted from furnishing returns and maintaining registers, by changing the definition of 'small establishments' from any place employing between 10-19 people on any day of the preceding twelve months to that employing 10-40 people.[25]

As per an amendment to the Industrial Employment (Standing Orders) Act, 1946, the term 'fixed- term employment' has been inserted to the same, which allows employers to hire workers for fixed periods of time. These fixed-term workers are technically not contract workers though they too are hired on a tenure basis. However, the permission given to employers to hire workers for fixed terms means that the earlier entitlements that workers had to social security measures no longer exist.

A visible practice amongst both the Central and State Governments in the recent years has been the promotion of self-certification schemes for employers of industrial enterprises. These allow units to make 'self-declarations' in front of a Class II officer that they follow all the necessary labour laws. These units then get exempted from inspections by the labour department. The basic objective behind such schemes has been to reduce the number of routine inspections made by Government officers/inspectors, which employers argue are unnecessary and only serve to disrupt the flow of production activities.[26] Thus, during the last twenty years, there has been a shift in onus of regulation from the State to enterprises themselves, particularly on the question of disclosure and reportage. Consequently, we not only note the active intervention of the State to regulate labour but also witness a change in the manner in which capital is expected to be monitored and disciplined by the State.

X. SECOND GENERATION LABOUR REFORMS: A NECESSITY?

"Though our government remains committed to protecting the interests of our workers, we must periodically take a critical look whether our regulatory framework has some parts which unnecessarily hamper the growth of employment, enterprise and industry without really contributing significantly to labour welfare."

- Prime Minister Dr. Manmohan Singh, addressing the Indian Labour Conference, 2012 (*The Times of India*, 2012).

This 'race to the bottom' in terms of labour regulations, moreover, posits some interesting questions with respect to the labour market flexibility debate in the country. It has been long argued by a certain section of scholars (see Ahluwalia, 1991; Fallon and Lucas, 1991; Besley and Burgess, 2004) that industrial performance in the country was low due to the rigidities imposed by legal regulations. The argument states that labour legislations in India are excessively pro-worker in nature, resulting in severe rigidities that inhibit employment generation, promote inefficiency, and have an overall adverse effect on the performance of the manufacturing sector. They view flexibility in the labour market as a pre-requisite for generating growth and employment opportunities. This has led to calls for the implementation of a set of 'Second Generation Labour Reforms' reforms in the legislations pertaining to industrial labour in the country.

The State, in tune, with its re-invented role as a facilitator of capital, has bought the

discourse of the 'Flexibility School' and seems to agree that the current labour market is fraught with rigidities. In fact, there have been repeated calls for relaxations in labour laws in the various official reports and documents that have come out in recent years, most notably in the Planning Commission's Report of the Task Force on Employment Opportunities (2001), and the report presented by the Second National Commission on Labour (2002). These suggest a number of amendments, mostly pertaining to the Industrial Disputes Act (1947), the Contract Labour Act (1970), and the Trade Unions Act (1926).

Despite the fact that neither the Industrial Disputes Act nor the Contract Labour Act has seen any central amendments in recent times, which would lead to widespread appeasement of the corporate class or face the ire of the labour class, this paper, in light of the analytical work carried out above, argues that there is no need for further reforms in the organised manufacturing labour market. The debate on labour market flexibility (see Sundar, 2005; Sharma, 2006) between the Flexibility School and the Institutionalist School is no longer the relevant discourse to be addressed. The State–capital nexus has managed to bring about considerable flexibility via stealth. Thus, the notion that the neo-liberal State has receded in any form is a grave misconception. What has, in fact, taken place is a further de-regulation of capital and regulation of labour. The consequent employment growth witnessed is a result of lowering of costs associated with regulation, making it much more feasible for firms to hire directly on the factory floor.

The deteriorating labour standards in Indian manufacturing seem to confirm what Jilberto and Riethof (2002) have previously suggested that the trajectory of development followed by most liberalising regimes signal a return to capitalist methods associated with the early British and US models of capital accumulation with economic and social regulations giving a free reign to the private sector. There has been a substantial generation of low-quality employment, which is a concern, for it does not allow the creation of many opportunities for people to shift from low-productivity occupations, leaving the prospects of further growth in jeopardy. The unstable nature of these jobs is also worrying, for in times of low demand or any form of industrial dispute, these jobs, given the weak contracts under which they are issued, can be easily shed. Thus, there remains the question of sustainability of such a growth. Moreover, since such employment is characterised by low wages and deplorable working conditions, a simple multiplication of such jobs would ultimately result in the expansion of under-employment and exploitation of the working class. The need of the hour, thus, is to secure and safeguard the working conditions of those already present in the labour force.

Notes

1. Concordance has been worked out between National Industrial Classifications (NIC) 1987, 1998, 2004 and 2008. Cross-industry analysis has been carried out at the two digit level. (Concordance Table given in the Appendix).
2. The data on Wholesale Price Index (WPI) has been collected from the website of the Office of the Economic Adviser, Ministry of Commerce and Industry. –*Source:* Office of the Economic Advisor, Available at: http://eaindustry.nic.in/, Accessed on 10 December 2012.
3. Covering the period from 2004-05 and 2011-12, the two NSS rounds roughly coincide with the period which has witnessed the employment spurt.
4. The Concordance Table has been provided in the Appendix.
5. Due to the unavailability of data and changes in the sample design of the ASI over the years only 20 two-digit industries are taken up for study. The 'Others' category has been removed due to changes in the sample design. The industry groups NIC 30, NIC 32 and NIC 33 have been clubbed together as one industrial group to make the data compatible with NIC 2008.
6. In order to classify industry groups as labour-intensive or capital-intensive, industry-wise labour intensities were computed for each year, and then an average was taken to arrive at the industry's average labour intensity for the period 1989-2010. The median value of 0.22 was taken as the demarcating value with the industry groups having average labour intensities lower than this value being classified as capital-intensive and those with labour intensities higher than this median value being classified as labour-intensive.
7. The Hecksher-Ohlin (H-O) framework suggests that an increase in trade openness in developing countries leads to a redistribution of employment from the capital-intensive import sector towards the export sector, which primarily deals with products that are labour-intensive in nature. According to this trade theory, the higher endowments of labour resources in developing countries, as compared to those in developed countries, accord the former with a comparative advantage in the production of labour-intensive goods. Thus, in developing countries, with an increase in trade, labour-intensive production relatively expands and capital-intensive production contracts; the opposite would occur in capital-abundant developed nations.
8. For a detailed exposition and critique of this argument, see Papola and Sahu (2012).
9. Data on manufacturing exports for the period 1989-2010 has been extracted via WITS from the UN COMTRADE website on the basis of International Standard Industrial Classification (ISIC) Revision 3. For the above purpose, a concordance table was constructed between Standard International Trade Classification (SITC), Revision 3 and Harmonised System (HS) 1996, and another one between Harmonised System (HS) 1996 and International Standard Industrial Classification (ISIC) Revision 3 (see Appendix). The latter classification system shares a one-to-one correspondence with National Industrial Classification System (NIC) 98. The UN COMTRADE set was extracted at the five-digit level (SITC Rev.3) and compared with the Annual Survey of Industries (ASI) data from 1989 to 2010 at digit NIC 2004 classification.
10. The present paper following Ghose's (2000) methodology, has divided the industries into export-oriented and import-competitive industries. It needs to be noted here that data on exports and imports taken from the COMTRADE series does not provide a break-up into the organised and unorganised sectors. For analysing the trade and employment relationship in the organised sector, data for the same is required separately. Following the methodology adopted by Goldar (2009), data from PROWESS, the Centre for Monitoring Indian Economy Pvt. Ltd. (CMIE) database that covers more than 11,000 registered companies (comparing the figures generated by the ASI database and Prowess, the study found that for the year 2009-10, in terms of sales, the latter covered about 83 per cent of the former) was utilised to compute the ratio of exports to sales for the various two-digit industries. These ratios were then applied to the output of the organised sector (taken from ASI) to get an estimate of their exports. As regards imports of various two-digit industries, following Goldar (2009), it is assumed that these compete mainly with the produce of the organised sector enterprises. In other words, there is an assumption that an increase in the import of any product would chiefly displace the produce of organised sector enterprises. While there does remain the

possibility that imported goods may displace the produce of the formal sector enterprises, this is probably small and hence for this study, it has been ignored. Following this, the value of Net Exports (Export-Imports) for each industry was taken and divided by the real value of Gross Output. The industries with a significant positive index score were considered as export-oriented, while industries with a significant negative index score were considered as import-competing industries. In order to determine whether an industry was export-oriented or otherwise, the index used, that is, Net Exports as a percentage of the output, was computed for three time periods, that is, 1991-2010, 2000-2010, and from 2005-2010. The industry groups displayed more or less uniformity in their trade orientation across these three time periods. Only industries having a significant index value were taken into consideration.

11. This study wishes to study the degree of informality and employment vulnerability that exists in the firms seen as part of the organised manufacturing sector. For this, we have adopted the ASI Factory definition, which states that the organised sector comprises factories with 10 or more workers using power, or 20 or more workers without using power [under Sections 2(m)(i) and 2(m)(ii) of the Factories Act, 1948]. We have taken this definition for a number of reasons. Firstly, this allows us to come closest to the framework adopted by the Annual Survey of Industries. The factories/establishments surveyed under the very same framework recorded the growth in employment, which is the prime focus of our study. Our objective is to identify the changes that have come about in the quality of work in units covered by the ASI. Unlike a number of definitions adopted earlier, which concentrate more on informality and the informal sector, categorising the rest as the formal sector (which has its own inclusion and exclusion errors), here our concern is to arrive at the closest approximation of the organised sector. Secondly, it does not permit the gross error of estimations as observed in the NSS definition. Thirdly, the very same framework is adopted by a number of labour legislations to classify whether a particular unit should come under its purview or not. Since we are arguing that it is relaxations in these very regulations that have raised the overall vulnerability of workers in the sector, it appears fruitful to study the quality of work by using this very definition.
12. It may be noted that the two rounds carry information on a number of these indicators only for the usual status groups 31, 41 and 51, that is, casual and regular workers, and hence we shall not be taking into account the self-employed category in our study.
13. As per the NSSO, a casual wage labourer is defined as "a person who was casually engaged in other's farm and non-farm enterprises (both household and non-household) and, in return, received wages according to the terms of the daily or periodic work contract." A regular salaried/wage worker, on the other hand, is defined as one who "receives salary or wages on a regular basis, either time wages or piece wages and full time or part time." As is clear from the definition provided by the NSSO, workers in their surveys are categorised as casual and regular workers solely on the basis of the time criterion of payment of wages. Although the casual workers are far more vulnerable in terms of the conditions of work and employment when compared to regular wage salaried workers, they do not, as Goldar and Aggarwal (2010) point out, necessarily reflect the idea of 'contractual workers' as given in the data provided by the CSO. As the authors show in their study, it is possible that a significantly large number of contract workers getting regular wages are automatically included in the regular wage worker category. Thus, it is necessary to go beyond figures of regular wage and casual employment and assess the quality of employment that both face, for the discrepancies in definitions, as we shall subsequently observe, undermine the real extent of informality in the manufacturing sector.
14. An amendment proposed by the South African Labour Ministry in 2011, allowing for workers on fixed contracts to receive the same benefits as permanent employees, came against a strong backlash from the industrial lobby with anti-amendment spokespersons emphasising that if the legislation were implemented in its current form, it could cause increased job losses and unemployment whilst significantly raising the administrative burdens of employers and employees. Lawyers warn that source-proposed labour law changes could spur job losses, lawyers warn (2011) (Available at:http://www.polity.org.za/article/proposed-labour-law-changes-could-spur-job-losses-lawyers-warn-2011-02-14, Accessed on 1 May 2013.)

15. Casual Work Spurs Job Growth, (2011); Available at: http://www.fin24.com/Economy/Casual-work-spurs-jobs-growth-20110411, Accessed on 10 May 2013.
16. Available at: http://www.eurofound.europa.eu/pubdocs/2011/82/en/1/EF1182EN.pdf; Accessed on 20 October 2013.
17. Calculated by figures released by the RBI; Available at: http://www.rbi.org.in/scripts/PublicationsView.aspx?id=14357, Accessed on 4 April 2013.
18. This 'benevolent' attitude of the State, as Bhattacharya (2007) reminds us, was grounded in a particular socio-historical context. Finding itself face to face with strong mass movements and militant trade unionism while being burdened with the task of projecting an inclusive character, the newly independent Indian State was, as he points out, forced to work out a compromise between labour and capital or at least accommodate certain key interests of labour. Domestic capital too required protective space against foreign competition and was thus willing to accommodate the demands of labour in order to gain a stable industrial environment and the growth of a skilled labour class. The era of protected industrialisation saw the labour movement learn to operate and exist within this tripartite framework (Capital, State and Labour) and could, via mobilisation and arbitration, obtain significant concessions and benefits from the Indian State.
19. Bharat Kumar vs. State of Kerala, AIR 1997 Ker 291; Source: http://indiankanoon.org/doc/741017/, Accessed on 20 October 2013.
20. In T.K. Rangarajan vs. Government of Tamil Nadu and Others (i); *Source:* http://articles.timesofindia.indiatimes.com/2003-08-06/india/27183945_1_employees-strike-state-or-nation; Accessed on 20 October 2013.
21. In Steel Authority of India Ltd. (SAIL) and Others vs. National Union of Waterfront Workers and Others. *Source:* http://indiankanoon.org/doc/1331651/, Accessed on 21 October 2013.
22. J.K. Synthetic Ltd. vs. K.P. Aggarwal and Another, "Back Wages on Reinstatement –No longer Automatic" (2008); Available at: http://www.icsi.edu/cs/March2008/Articles/Back%20Wages%20on%20Reinstatement%20-%20No%20Longer%20Automatic%20by%20H.%20L.%20Kumar%206.pdf, Accessed on 10 May 2013.
23. Arguing against the above judgment, Hirway and Shah (2011) state that managements can now throw out workers illegally without having to worry much about the payment of full back wages even if they get re-instated. Moreover, what makes matters worse is that workers are generally in no position to go to a labour court to fight a case of illegal termination for they do not have the money to hire a lawyer.
24. G.M., B.S.N.L. and Others vs. Mahesh Chand; Source: Lawyers Club India (2010), Available at: http://www.lawyersclubindia.com/forum/Employee-seeking-regularisation-should-prove-eligibility-SC- 13656.asp#.UZDChaLQnF8, Accessed on 11 May 2013.
25. Moreover, the bill seeks to amend the list of Acts exempting small establishments from filing returns and maintaining registers, namely, the Motor Transport Workers Act, 1961; the Payment of Bonus Act, 1965; the Beedi and Cigar Workers (Conditions of Employment) Act, 1966; the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979; the Dock Workers (Safety, Health and Welfare) Act, 1986; the Child Labour (Prohibition and Regulation) Act, 1986; and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.
26. Given the poor performance of inspection agencies over the years, however, the Self-certification Scheme (SCS) has not been favoured much by firm owners. The main deterrent to the adoption of the SCS seems to be the requirement of filing the affidavit which contains a declaration that the employer would comply with all the provisions of the labour laws covered under the scheme, and that the employer would accept the penalty prescribed under the law for any violations detected. The risks and the probability of getting penalised even for minor violations are higher under this scheme. The better alternative for the employer is to continue to remain under the usual inspection system, where the costs of violation are lower as there exists scope for 'managing things' to the advantage of the employer.

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Appendices

Concordance between NIC 2004 (two-digit) and NIC 2008 (five-digit)

Table A1

NIC 2004	*10101*	*NIC 2008*	*11049*	*Remarks*
15		*to*		
16	12001	to	12009	
17	13111	to	13999	
	14301	to	14309	
18	14101	to	14209	
19	15111	to	15209	*1512- partly belongs to 36 - ignored
20	16101	to	16299	*1629- partly belongs to 36 - ignored
21	17011	to	17099	*1709- partly belongs to 36 - ignored
22	18111	to	18200	
	58111	to	58199	
	59201	to	59202	
23	19101	to	19209	*1920- partly belongs to 10 - ignored
24	20111	to	21009	*2011- partly belongs to 23 - ignored
	26800			
25	22111	to	22209	
26	23101	to	23999	
27	24101	to	24320	
28	25111	to	25139	
	25910	to	25999	*2593- partly belongs to 29 - ignored
	33111	to	33119	
29	25200			
	27501	to	27509	
	28110	to	28162	
	28180	to	28299	
	30400			
	33121	to	33129	
	33200	to		
31	27101	to	27400	
	27900			
	33140			
	95120			
	95210			
34	29101	to	29304	
35	30111	to	30305	
	30911	to	30999	
	33150	to		*3319 ignored
36	31001	to	32409	
	32901	to	32909	
	95240			
37	38300			
30+32+33	261010	to	26409	
	28170	to		

26511	to	26700
32501	to	32509
33131	to	33132

Source: Ghosh (2014).

Table A2
Concordance Table between NIC 98 and SITC Rev 3

NIC 98	*SITC REV. 3*
142	274+277.22+277.29+278.22+278.24+278.25+278.3+278.4+278.5+278.69+278.9+667.31+667.2
151	011+012+016+017+034+035+036+037+054.6+054.7+056+057.52+057.99+058+059+081.3+081.4+21 1+223.9+268.19+411+421+422+431-056.4
152	022+023+024+061.91
153	042.2+042.3+046.1+046.2+047.1+047.2+048.1+056.4+061.93+061.94+061.95+061.96+061.99+081.9 +592.1+592.26
154	025.21+025.22+048.3+048.4+061.1+061.2+061.5+062+071.12+071.2+071.31+071.33+072+073+074+ 098-074.14
155	048.2+111+112+512.15+512.16
160	122
171	261.3+261.49+265+266.7+267.13+268+651.1+651.2+651.3+651.4+651.61+651.69+651.71+651.76+6 51.8+651.9+652+653+654-651.5-654.91-654.6
172	656+657+658+659+821.27+821.29-659.1
173	655+845.4+845.3+846.2
181	657.61+657.62+841+842+843+844+845+846.9+848.1+848.4-845.3-845.4
182	848.3
191	611+831
192	851
201	248+634.9
202	633.1+633.2+634+635+899.7-634.9
210	251+641+642.1+642.2+642.4+642.9+657.35+892.81
221	642.3+892.1+892.2+892.4+892.8+898.6+898.7-892.81-892.82
222	726.35
231	325
232	335+341
233	525.1
241	232+335.2+431.31+511+512+513+514+515.4+515.5+515.6+515.7+516+522+523+524+525.9+531+5 32+533.1+57+562+598.1-512.22-513.93-514.71-514.81-516.92-515.71
242	514.79+514.81+515.69+515.7+54+533.2+533.5+533.4+55+591+598+597
243	266+267.1+651.6+651.5+651.7+651.8-266.7
251	62
252	58+893
261	664+665

269	661+662+663+666
271	67
272	68+699.9
281	691+692.1+711+811+812.1
289	69-691
291	712+713.3+713.8+718.1+718.9+741+742+743.1+743.8+743.6+744+745+747+748+749-745.1-749.1
292	72+73+749.1+891
293	775+697.3
300	75
311	716+771
312	772-772.3-772.2
313	773.1
314	778.1
315	778.2+813
319	778.3+778.8
321	772.2+772.3+776+778.6
322	764.1+764.3
323	761+762+763+764.2+764.9
331	764.8+774+872+874+899.6
333	885
341	713.2+781+782
342	786
343	713.92+784.3
351	793
352	791
353	713.1+714.81+714.91+792
359	785
361	821+895.92-821.27-821.29
369	269.01+269.02+277.21+659.12+667.13+667.29+667.39+667.49+894+897+898.1+898.2+898.9+899+96 1-899.6
402	345
749	882.5+882.6
921	883.1+883.9+896
930	291.91

Table A3

NIC	*Description*
Division 15	Manufacture of food products and beverages
151	Production, processing and preservation of meat, fish, fruit vegetables, oils and fats
152	Manufacture of dairy products
153	Manufacture of grain mill products, starches and starch products, and prepared animal feeds
154	Manufacture of other food products
155	Manufacture of beverages
Division 16	Manufacture of tobacco products
Division 17	Manufacture of textiles
171	Spinning, weaving and finishing of textiles
172	Manufacture of other textiles
173	Manufacture of knitted and crocheted fabrics and articles
Division 18	Manufacture of wearing apparel; dressing and dyeing of fur
181	Manufacture of wearing apparel, except fur apparel
182	Dressing and dyeing of fur; manufacture of articles of fur
Division 19	Tanning and dressing of leather; manufacture of luggage, handbags saddlery, harness and footwear
191	Tanning and dressing of leather, manufacture of luggage, handbags, saddlery and harness
192	Manufacture of footwear
Division 20	Manufacture of wood and of products of wood and cork, except furniture; Manufacture of articles of straw and plating materials
201	Saw milling and planing of wood
202	Manufacture of products of wood, cork, straw and plaiting materials
Division 21	Manufacture of paper and paper product
Division 22	Publishing, printing and reproduction of recorded media
221	Publishing
222	Printing and service activities related to printing
223	Reproduction of recorded media
Division 23	Manufacture of coke, refined petroleum product and nuclear fuel
231	Manufacture of coke oven products
232	Manufacture of refined petroleum products
233	Processing of nuclear fuels
Division 24	Manufacture of chemicals and chemical products
241	Manufacture of basic chemicals
242	Manufacture of other chemical products
243	Manufacture of man-made fibres
Division 25	Manufacture of rubber and plastic products
251	Manufacture of rubber products
252	Manufacture of plastic products
Division 26	Manufacture of other non-metallic mineral products
261	Manufacture of glass and glass products
269	Manufacture of non-metallic mineral products n.e.c.
Division 27	Manufacture of basic metals

NIC	*Description*
271	Manufacture of basic iron and steel
272	Manufacture of basic precious and non-ferrous metals
273	Casting of metals
Division 28	Manufacture of fabricated metal products, except machinery and equipments
281	Manufacture of structural metal products, tanks, reservoirs and steam generators
289	Manufacture of other fabricated metal products; metal working service activities
Division 29	Manufacture of machinery and equipment, n.e.c
291	Manufacture of general purpose machinery
292	Manufacture of special purpose machinery
293	Manufacture of domestic appliances, n.e.c.
Division 30	Manufacture of office, accounting and computing machinery
Division 31	Manufacture of electrical machinery and apparatus, n.e.c
311	Manufacture of electric motors, generators and transformers
312	Manufacture of electricity distribution and control apparatus
313	Manufacture of insulated wire and cable
314	Manufacture of accumulators, primary cells and primary batteries
315	Manufacture of electric lamps and lighting equipment
319	Manufacture of other electrical equipment, n.e.c.
Division 32	Manufacture of radio, television and communication equipment and apparatus
321	Manufacture of electronic valves and tubes and other electronic components
322	Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy
323	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods
Division 33	Manufacture of medical, precision and optical instruments, watches and clocks
331	Manufacture of medical appliances and instruments and appliances for measuring, checking, testing, navigating and other purposes except optical instruments
332	Manufacture of optical instruments and photographic equipment
333	Manufacture of watches and clocks
Division 34	Manufacture of motor vehicles, trailers and semi-trailers
341	Manufacture of motor vehicles
342	Manufacture of bodies (coach work) for motor vehicles; manufacture of trailers and semi-trailers
343	Manufacture of parts and accessories for motor vehicles and their engines
Division 35	Manufacture of other transport equipment
351	Building and repair of ships and boats
352	Manufacture of railway and tramway locomotives and rolling stock
353	Manufacture of aircraft and spacecraft
359	Manufacture of transport equipment, n.e.c.
Division 36	Manufacture of furniture; manufacturing, n.e.c
361	Manufacture of furniture
369	Manufacturing, n.e.c.
Division 37	Recycling