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Liberalisation Policy of 1991 and Its Social Consequences on Labor

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Abstract

In 1991 India took the neoliberal turn and businesses have colluded to remove effective obstructions to more intense appropriation. Curbing the strength of class solidarity and reducing the worker to a condition of powerlessness has been pursued through a variety of norms. With the intensification of the neoliberal appropriation the worker is faced with even greater uncertainties and insecurities. The erstwhile class solidarities lose their effectiveness as new policy norms have sought to segregate and fragment worker's solidarity thereby curbing its unitary potential from which it draws its efficacy. In this situation, communal politics effectively channelizes the apprehensions of the workers, absorbing them into caste and religious mouldings and thereafter politically motivates these solidarity groups, as evident in the case of the Bombay textile workers joining the Shiv Sena and the B.J.P.

Key Words: liberalisation, labour, class, informal, communal.

Indian economy had undergone a major reconfiguration in 1991. This was the transition towards a more liberalised economy. Under the influence of Nehruvian Socialism, the nation had a State regulated command economy with proactive patronage towards the public sector. Early on, the new Indian nation embarked upon a programme of State directed heavy industrialisation programme. Among other things, one effect of this was the growth of a large segment of working class population. The passage of several protective labour legislations therefore became imperative for the Socialist state and the trade union scenario became rejuvenated and resurgent.

During this period the trade unions held great sway over politics and business. Unionism became one of the most effective ways of buffering between the individual and the disparaging effects of capital-intensive production. Progressive legislations like the Factories Act, 1948 (for making penalties more stringent for violation of safety requirements and provision of welfare facilities, Employees Provident Fund and Miscellaneous Provisions Act, 1952 (enhancement in the rate of contribution and making default of dues a cognizable offence), Contract Labour (Regulation and Abolition) Act, 1970 to name a few give an indication of the substantial protection accorded to labour.

With the arrival of the late 1980s, India was hit by a serious financial crisis. Years of running a heavily subsidised welfare sector, complexity of labour legislations and obstinacy of trade unions were also identified among others as factors triggering the financial crisis. The New Economic Policy of 1991 was introduced as a response to overcome the fiscal crisis. The reforms entailed a number of changes to facilitate the economy to step on the neo liberal path.

In this story of structural adjustments, one of the starkest casualties was inflicted upon organised labour. Indian Industry in the post liberalisation period largely converged on the opinion that under the new conditions, excessively restrictive labour laws and trade unions constituted a serious hindrance to profitable conduct of business and the government largely shared the opinion.¹

Such a line of consensus building is inevitable for the neo liberal project. In the competitive environment that unfolded after 1991, profit maximisation would require that business be shielded from the welfare demands of the workers while at the same time facilitating a systematic curtailment of their obstructionist potential by reducing them to a situation of powerlessness. In the post 1991 period, business and the neo liberal Indian state manoeuvred to realise this agenda. The paper attempts to understand the processes and consequences that resulted as a consequence of it.

The report of the Second National Commission on Labour (N.C.L. II) provides the first major manifestation of the change in attitude towards labour interests in the post liberalisation period. The mood of the State and the business class could be gauged from the fact that one of the main motives behind having the N.C.L II was for suggesting the “rationalisation of existing labour laws relating to labour in the organised sector”.^{2,3} As J. John correctly points out, most of the recommendations “meet the employers' demand for labor market flexibility, by proposing strategic changes in laws relating to industrial relations, wages and time of work”⁴ A glance through some of the recommendations reveals that a number of positions advised by the report are in contrast to both labor solidarity and labor concerns. Taking the pretext of new circumstances and global competition, the Commission recommends making effective changes to the Industrial Disputes Act, 1947 to enable business entities to undertake lay off and retrenchment of any employment size.⁵ The recommendations also include an explicit suggestion that seeks to do away with the right of workers to organize strikes by proposing measures like strikes ballots and compulsory arbitration.⁶ The N.C.L II in fact put a strong thrust to effect the powerlessness of the

¹ John, J.(2003). Labour scene in India. *International Union Rights*, 10(4), 9–11. Retrieved from <http://www.jstor.org/stable/41937317>

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

workers by disempowering the trade unions. J. John has pointed out a number of recommendations by means of which an attempt has been made to restrict the scope of the unions. These include, (a) proposing a ceiling on 'outsiders' to be on the executive bodies of trade unions (b) suggesting registration and recognition of unions as an institutional mechanism to force unity of working class (c) declaring strikes by unregistered unions to be treated as illegal (d) prescribing the support of 25 per cent of workers in an establishment to be empanelled for registration and (e) proposing a negotiating agent for bilateral negotiations and suggesting a check-off system as the means to determine the negotiating agent in establishments of more than 300 workers.⁷ As a corollary to the suggestions on trade unions, the N.C.L II also indicates the need for greater labor flexibility, thereby the ability to employ casual workers and it also advocates night work for women.

The implications of these recommendations could be assessed from the nature of legislations that came to be enacted in the ensuing period. A prominent orientation against labor interests as enumerated by the N.C.L II was well reflected. It could in fact be argued that some of the more detrimental legislations provided the legitimization for divesting the worker of its former strength and agency. J. John briefly outlines a few.⁸ *Contract Labour Act* - In March 2003, the Group of Ministers (GoM) agreed on amendments to the Contract Labour (Regulation and Abolition) Act, 1970. These changes were intended to remove the distinction between the 'core' and non-core' sector; re-define contract labour to de-link the worker from the principal employer; simplify the system of registration of contractors; and do away with licensing. This would give freedom for companies to hire contract workers for sudden incremental work. *Factories Act* – In another significant move, a decision was taken to amend section 66 of the Factories Act that places restrictions on the employment of women at work. *Industrial Disputes Act* - By February 2003, the government was ready with the new Industrial Relations Bill with amendment in the Industrial Dispute Act raising the limit of workers from 100 to 300 for an industrial unit, while opting for closure without seeking the government's permission. These and a host of other policy changes are responsible for causing a range of adverse effects for the working class population. A brief discussion of the effects is taken up in the next section.

The neoliberal scheme of appropriation thrives on the availability of cheap labor. This is realized by systematically reducing the worth of the worker leading to greater immiserisation and a fall in its standard of living. The nature of legislations discussed in the aforementioned sections are some of the ways in which this process can be fulfilled. In order create a cheap labor force, one of the first things to do is reducing the large body of workers who are employed in the organized sector and are drawing generous salary and welfare benefits. A more subtle methods of doing this involves invoking the Voluntary

⁷ Ibid.

⁸ Ibid.

Retirement Scheme (V.R.S)⁹ A characteristic court statement succinctly explained the ulterior motive of the scheme. It aptly stated that “VRS was a legal method of shedding surplus labour and was a termination of employment by the act of the employees themselves.”¹⁰¹¹ “In Hindustan Lever, one-third of the 3,100 workers accepted VRS in 1989,” while “3,000 out of 9,000 employees did so in Premier Automobile.”¹² Along with it, the requirement for cheap labor leads firms to push out the job recruitment process from the organized sector to cheaper and less secure forms of employment.¹³ Firms are therefore seen increasingly resorting to recruiting casual workers, which are cheap and puts them into lesser liabilities. The advent of sophisticated foreign technology further helps the process. Newer and more advanced technology provides a scope for ‘deskilling’,¹⁴ labor that would allow firms to pay low wages and confine the recruitment process to casual workers with limited skills. The Annual Survey of Industries has shown that while workers employed by factories declined from 62.8 Lakhs in 1999 -00 to 60.8 Lakhs in 2003, the proportion of contract workers increased from 19.7 percent in 1999 – 2000 to 24.6 percent in 2003 – 2004.

Concurrently, a large number of firms have resorted to the practice of subcontracting. In the contemporary period this has emerged as an effective strategy among businesses for maintaining profits. Ernesto Noronha’s concise remarks provide a good understanding of subcontracting and its consequences on Labor. As she writes, “Subcontracting has mainly emerged in order to evade labour laws, fragment the organisational power of labor, enhance managerial-control over the labor process by dividing the Indian labor market of large firms into the non-union markets of small firms, to minimise and control labour costs ...”¹⁵ Here again, the practices of business and the tacit approval of government demonstrates the insensitivity of the government towards labor concerns. Noronha empathetically narrates their plight when she writes that “the small-scale units employed only a few workers who were deprived of rights such as provident fund, bonus. DA, gratuity, earned leave, etc. and who were forced to work twelve-hour shifts on wages that were less than a third of those paid in the large composite mills.”¹⁶

A macro understanding of the processes at work could be achieved by refraining to view the afore stated adjustments within their own confines. The reconfigurations discussed above have the implicit goal of subtly but effectively crippling the robust trade union

⁹ Noronha, E. (1996). Liberalisation and Industrial Relations. *Economic and Political Weekly*. 31(9), L14-L12. Retrieved from www.jstor.com

¹⁰ Ibid.

¹¹ Court Case - Association of Chemical Workers v/s L V Patil

¹² Noronha, E. (1996). Liberalisation and Industrial Relations. *Economic and Political Weekly*. 31(9), L14-L12. Retrieved from www.jstor.com

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

movement that existed in India in the pre liberation period. Many of the changes in norms had an adverse effect on the effectiveness of the unions. Recruitment on contract basis removes the worker from the ambit of the trade union while shifting responsibility from the employer to the contractor. Likewise, the ambit of the trade unions does not extend to the informal sector despite majority of Indian workers belonging there. Subcontracting, despite its other rationale, is another “means to labour control.”¹⁷ Privatisation is yet another procedure that leads to “to job insecurity, meaning that the workers can now lose their jobs” and this “might prevent them from participating actively in the trade unions.”¹⁸ One could thus gain a fair sense of the manner through which the solidarity of labor was sought to be discarded. Due to the changes, labor got fragmented and it became difficult for trade unions to organize collective action.

In an attempt to intensify appropriation, as the discussion so far elucidates, there was a powerful move on the part of the State and Business to ruthlessly discipline labor. This was done through a process that entailed the dispossession of labor from mechanisms that provided a scope to thwart the onslaught of capital. The triumph of curtailing obstructions was hence accompanied by a counter effect of exposing labor to the insecurities, uncertainties and frustrations associated with a liberalising economy. On account of subcontracting, casualization and declining scope of trade unions, the post liberalisation worker was therefore rapidly undergoing atomisation. With the fragmentation of class solidarity, the worker therefore falls back upon the associations of Caste, Religion and Ethnicity, which are then politically mobilised by different groups thereby finding manifestation in the form of communal skirmishes. The remaining part of the paper carries a brief discussion of this aspect.

India presents a case of backward capitalism. Due to its relative weakness, Capital in India operated by entering into an alliance with Feudalism. The outcome was a ‘blocked dialectic’. India, as a result, had a narrow domestic market thereby generating insufficient profits. For this reason, India had to look for external markets and this entailed depending on foreign technology and capital in order to enhance its competitiveness. This was one of the main reasons for adopting the liberalisation policy of 1991. (Yechury, 2002)¹⁹ The trajectory of capitalism in India therefore operated alongside the structures and consciousness of feudalism. Yechury provides a description of this situation when he says, “that the inability to eliminate the vestiges of feudalism meant, at the level of the super-structure, the existence and perpetuation of the social consciousness associated with feudalism. The impact of communalism and casteism continued to dominate the social

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Yechury, S. (2002). *Religion & Communalism In The Present Context*. Lecture presented at The Xavier Institute of Social Service On the Occassion of the Platinum Jubilee of the R.C. Church Diocese,, Ranchi. Retrieved from <http://cpim.org/content/religion-communalism-present-context-0>

order. The efforts at super-imposing capitalism only created a situation where the backwardness of consciousness associated with feudalism was combined with the degenerative competitive aspect of capitalist consciousness.”²⁰ As Indian capital could never subvert feudal relations completely, it can hence be inferred that in India patterns of solidarity formation took place at two levels – Class and Community (Caste/Religion). Beginning with the Nehruvian period till about the early 1980s, the large public sector and pro labor legislations under the leadership of a modernizing party (I.N.C) and State, provided the coherence and unity that allowed the category of class to emerge as a strong mobilizing category. The neoliberal turn of the 1991 policy however saw the Indian state taking up a different orientation. The disinvestments in the public sector and change of labor legislations created multiple segments and fissures rendering difficult the organization of ‘class’ as a unitary category. In this aftermath, the other mobilizing categories of Caste, Religion and Ethnicity could eclipse ‘Class’ as a more effective and stronger category of mobilization due to its unitary scope. The situation coincided with the rise of communal politics in the country and provided an opportunity for manipulation. When class solidarities could not effectively redress the insecurities and frustrations, communal politics effectively channelized these apprehensions to absorb these people into newer strands of solidarity based on Caste, Religion and ethnicity and the politics of polarization on which the existence of these forces invariably depend gives rise to the frequent communal antagonisms. In the narrative provided by Aseema Sinha, the decline of the Bombay Textile Mills brings out a similar situation. “ ... the rising insecurity that has accompanied the decline of the once mighty textile industry ... of Mumbai ... appears to have fed a potential for social unrest that Hindu – nationalist forces such as the BJP and Shiv Sena have learnt to exploit.”²¹ She further writes, “Some displaced workers wound up toiling in the illicit local economy ... many joined the Vishwa Hindu Parishad ... In this fashion, the textile industry’s decline and the informalisation of the former mill hands arguably contributed to the bloody rioting that broke out along with caste or religious lines ... in Mumbai in the early 1990s and then again in Ahmedabad during the first half of 2002.”²²

Before concluding, a contemporary case of a caste based assertion movement would be considered. 22 year old Hardik Patel has now become a recognized name across the country and probably abroad. Belonging to the Prime Minister’s domicile state, he has been the leader of a large movement against the government. The Patidar(Patel) Anamat Andolan Samiti (PAAS) is agitating to secure Other Backward Caste (O.B.C) status to the Patel community of Gujarat. The case has a commonality with the line of argument made in the paper. Although the assertions of the movement are made within the framework of a social category, Caste in this case; a closer look would reveal economic underpinnings tied to a particular class. A news report on NDTV brought out that a large number of members

²⁰ Ibid.

²¹ Sinha, A. (2007). Economic Growth and Political Accommodation. *Journal of Democracy*. 18(2), 50-51. Retrieved from <https://muse.jhu.edu/>

²² Ibid.

belonging to the Patel community were involved in the micro, small and medium enterprises (MSMEs). At present however, 48000 of the MSMEs are sick units. “The MSMEs employ more than 21 lakh people and are located mainly in the districts of Ahmedabad, Surat, Rajkot, Vadodara, Bharuch, Jamnagar, Bhavnagar and Valsad which have a large population of Patels, many of whom are now out of work.”²³

As a concluding note, a concise reiteration of the central assertion of the essay could be of help. In the paper, it has therefore been argued that India took the neoliberal turn and businesses have colluded to remove effective obstructions to more intense appropriation. Curbing the strength of class solidarity and reducing the worker to a condition of powerlessness has been pursued through a variety of norms. With the intensification of the neoliberal appropriation the worker is faced with even greater uncertainties and insecurities. The erstwhile class solidarities lose their effectiveness as new policy norms have sought to segregate and fragment worker’s solidarity thereby curbing its unitary potential from which it draws its efficacy. In this situation, communal politics effectively channelizes the apprehensions of the workers, absorbing them into caste and religious mouldings and thereafter politically motivates these solidarity groups, as evident in the case of the Bombay textile workers joining the Shiv Sena and the B.J.P.

²³ Trivedi, S. (2015) The Real Story of What Hardik Patel, 21, Wants - And Why. *NDTV*. Retrieved from <http://www.ndtv.com/india-news/the-real-story-of-what-hardik-patel-21-wants-and-why-1210424>