CHAPTER-3

Economic Liberalisation in India

Concept of Economic Liberalisation

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Economic Liberalisation : A Boost for Employment Opportunities

❖ Economic Liberalisation : A Challenge for Employment Opportunities
ECONOMIC REFORMS IN INDIA: HISTORICAL BACKGROUND

Soon after independence, India adopted the path of mixed economy. Our economists and planners were of the view that India can solve her twin problem of poverty and economic backwardness only with the help of regulated and controlled mixed economy but it could not be so. Mixed economy could achieve neither the targets of economic development nor of social justice. Indian economy faced a major economic crisis in early 1991. This problem did not develop suddenly. It got accumulated over a long period. Indian economy witnessed a gap between public revenue and expenditure continuously for a number of years. This gap has been steadily growing with the passage of time. It was financed partly by borrowings from abroad and partly by issuing new currency notes. It caused internal imbalance in fiscal situation and external imbalance in payments situation. It pushed the economy into a deep economic crisis. This problem was sharply accentuated by the Gulf crisis in late 1990. During this tenure, there was also political instability in the country. As a result of all these developments, international confidence in the Indian economy started to shaken and credit rating of India in the international capital market declined steeply. These problems continuing for years, destroyed the capacity of Indian economy to bear internal and external shocks. To quote an example, the Indian economy faced heavy pressure of monetary inflation which touched a new height of 11.2% per annum. A matter of common concern was that the prices of food articles were showing a substantial rise. Mounting inflationary pressures also contributed to the situation which necessitated economic reforms.
This all created a panic situation for government of India. It was no how possible for the government to continue monetary and fiscal affairs in such a situation. It left the Government with no option but to resort to economic reform measures: Liberalisation, privatisation and globalisation (Collectively known as LPG model or Economic Reforms) in India.

Economic Reforms (New Economic Policy) mean and include all economic changes made by Government of India since July, 1991 to pace the way of all around prosperity of Indian Economy. These changes have been made in Government policies regarding foreign investment, trade, industry, foreign exchange, fiscal affairs, etc. All these changes are called new economic policy.

According to C. Rangarajan, the then Governor of Reserve Bank of India, "The new economic Policy comprises various policy measures and changes introduced since 1991. There is a common thread running through all these measures. The objective is simple and that is to improve the efficiency of the mechanism involving multitudes of controls, fragmented capacity and reduced competition even in the private sector".  

Memorandum on Economic Policies stated, "The thrust will be to increase the efficiency and international competitiveness of industrial production, to utilize foreign investment and technology to a much greater degree than that in the past, to improve the performance and rationalise the scope of public sector and to reform and modernise the financial sector so that it can more efficiently serve the needs of the economy".

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CONCEPT OF ECONOMIC LIBERALISATION

Liberalisation means the removal of unrequired controls and restrictions. Efforts are made to create an economic environment in which the industrial and business enterprises may work smoothly and contribute in the process of economic and social development. It is important that liberalisation does not mean an uncontrolled economy. It only means the removal of obstacles and unnecessary restrictions in the way of development.

Meaning of Economic Liberalisation

Economic reforms undertaken since July, 1991 are described as economic liberalisation. Economic liberalisation has two components:

(a) relaxing or removing counter-productive restrictions on the operation of market and economic transactions so as to permit a freer operation of the market forces, and

(b) creating a stable macroeconomic policy environment conducive to the market forces.

Relaxation or removal of restrictions on economic transactions may involve: (i) procedural changes such as changing the procedure of licensing of imports, foreign investment and domestic investment, (ii) legislative changes such as the repeal of outdated legislation, bringing into existence various regulatory authorities such as SEBI, IRAI, TRAI, CERC, SERCs etc.

Both the procedural and legislative changes aim at bringing about major changes in the formal rules governing the interaction in the economic realm. Private entrepreneurs will have the flexibility to adjust their activities in response to market signals without seeking a license or a permission of concerned government agencies. The government and
legislature are expected to provide supportive environment for the smooth and impartial functioning of market forces.

Meaning of Economic Liberalisation for Development Strategy

Economic liberalisation involves a major shift in the development strategy. It takes away from minimising the reliance on international division of labour towards progressive integration with the global economy and aggressive participation in it. It takes away from overextended and inefficient public sector in commercial activities towards the clearly focused public sector performing the core functions of defence, health and education. It takes away from the direct control regime of license-permit raj towards freer play of the functioning markets.

The new strategy is based on the diagnosis that persistent poverty has been the result of inadequate expansion of productive employment opportunities and unequal distribution of income and wealth. In its concept, economic liberalisation imposes upon the markets and state to pay mutually reinforcing roles rather than the mutual suspicion that marked their interaction in the past.

Meaning of Economic Liberalisation for Government Policy

Stabilisation and structural adjustment are the two components of economic liberalisation. Stabilisation involves correcting the past fiscal profligacy and maintaining a macroeconomic environment that is conducive to the smooth and effective operation of domestic and international markets. It requires responsible monetary, fiscal and exchange rate policy to maintain a reasonably low rate of inflation and 'realistic' foreign exchange rate that is consistent with viable and healthy balance of payments.
Structural adjustment involves reallocating resources (capital, labour, skill, and entrepreneurship) so as to reduce the wastages and to improve the international competitiveness of domestic organisations.

**Meaning of Economic Liberalisation for Bureaucracy**

The bureaucracy needs to change the mindset of 'controllers' to that of 'facilitators' for the smooth functioning of market. They are the implementors of the core functions of government. They have an important role in formulating and implementing the procedural and legislative changes that are integral to economic liberalisation. Their dominant concern for non-transparent and procedure-orientation with complex procedures has to give a way to the result-orientation and accountability in their activities.

**Meaning of Economic Liberalisation for Private Entrepreneurs**

Private entrepreneurs such as producers, traders, agents servers, investors, entrepreneurs, etc. need to pay greater need to the signals from market and accept the consequences of commercial risk that go with the free operation of market. They have to resolve the transitional tensions not by approaching the government for a bail-out but by accepting and relying on market-based mechanism of adjustments.

**Meaning of Economic Liberalisation for General Public**

Freer domestic and international markets are expected to offer wider choices to general public with reference to the commodities and services they produce and buy, the saving and investment opportunities and the choice of occupations and professions. General public too, needs to get out of the 'over-dependency syndrome' of earlier period. We all have to realise that we need to rely on the informal institutions of civil
society by starting with the extreme hypothesis that government is the source of problems rather than providing solutions to the problems.

**Economic Liberalisation is only a mean and not an End**

Economic liberalisation is not a solution for social and political problems. Economic liberalisation creates an environment for freer operation of markets. Even though everybody may not be able to take the advantage of these opportunities. Simultaneously, there would always be those who would set the example for others to follow and also provide signals for opportunities which others are unable or unwilling to grasp. Consequently, economic liberalisation process would be more successful if various segments of the society and polity realise and accept their implications. Persistence of economic scarcities make the resolution of political and social conflicts more difficult.

**LIBERALISATION IN INDIA**

*or, STEPS OF INDIAN ECONOMY TOWARDS LIBERALISATION*

Soon after independence, India adopted the path of economic planning for the economic and social development of Nation. Five year plans became the channels of development. Gradually, it was realised that economic system of our country is working under a net of controls and restrictions which creates hindrances in the way of development. It was realised that the object of economic development and social welfare cannot be achieved unless unnecessary controls are withdrawn and relatively free hand is given to entrepreneurs. Realising this fact, several steps were taken in this direction. Industrial Policy, 1991 is taken to be a real step towards liberalisation. Important steps initiated in this direction are as follows:
De-reservation of Industries for Public Sector. Since 1956, 17 industries have been reserved for public sector. According to 1991 policy, only 8 industries will continue to be so reserved. It has further been liberalised from time to time. At present, only 4 industries are reserved for public sector: (i) Defence Products, (ii) Atomic Power, (iii) Railways, and (iv) Minerals to be used in Atomic Power. Thus, the industries reserved for public sector are in the areas where security and strategic concerns predominate. Since 2001, defence sector has also been partly open for private sector.

- Abolition of Industrial Licensing. New policy has abolished all industrial licensing except a few industries related to security and strategic concerns. It has further been liberalised from time to time.

Freedom of Production according to Demand. Under new policy, firms will be free to adjust their production schedule in response to market demand.

- Abolition of Phased Manufacturing Programmes. With the removal of import license for a large number of raw materials, intermediate goods and components, there is no longer any need for enforcing the requirements of case-to-case administrative basis under the phased manufacturing programmes.

- Removal of Mandatory Convertibility Clause. Banks and financial institutions have so far been including a convertibility clause in their lending operations for new projects (option of converting a part of their loan into equity if felt necessary by their management). Though this option has not often been exercised, it has been interpreted as a threat to entrepreneurs.
Henceforth, financial institutions will not be allowed to impose this clause.

**Removal of Investment Controls on Large Business Houses.** Since the enactment of MRTP Act in 1969, all firms with assets above a certain size (Rs.100 crore since 1985) were classified as MRTP firms. Such firms were permitted to enter into selected industries only. Now this clause has been removed by passing an MRTP Amendment bill. These firms will also not require prior approval for investment in delicensed industries.

- **Automatic Approval for Foreign Technology Agreements.** In case of foreign technology and foreign investment agreements, it was necessary to obtain prior approval from government for each project. Hence, except for a specified list of high technology and high investment industries, firms will receive automatic approval with certain guidelines.

- **No Need of Permission for Hiring Foreign Technicians.** Now no permission will be necessary for hiring foreign technicians and technique.

- **Automatic Approval for Foreign Equity.** In case of foreign investment, automatic approval will be available for foreign equity upto 51% in high priority industries. In selected cases, such approval shall be available even upto 100% foreign equity.

- **Dis-investment of Government Shareholding.** A part of shares of public sector units will gradually be dis-invested. These shares will be sold to mutual funds, financial institutions, employees and general public. Dis-investment of shares of
GLOBALISATION

Globalisation means a process of increasing economic integration and growing economic interdependence in the world economy. Thus, globalisation is a process of integrating Indian economy with the world economy. It implies minimising economic and trade barriers facilitating free inter-flow of capital, technology, people, goods and services. Process of globalisation images the entire world a 'Global Village'.

“Globalisation is the integration of world economy as a result of three main forces: (i) Increase in trade in goods and services, (ii) Increase in the investment of transactional companies and consequent changes in the nature of production. Production remaining no longer be only a national phenomenon but emerging as a process that takes place in different countries, and (iii) International financial and exchange rate transactions”.

–Rubnes Ricupero-Secretary.

"Globalisation may be defined as a process associated with increasing openness, growing economic interdependence and deepening economic integration in the world economy”

–Deepak Nayyar.

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1. Rubnes Ricupero (1991), Secretary general of UNCTAD quoted while delivering a lecture on ‘Globalisation and the World’.
2. Deepak Nayyar, Eminent Economist Quoted while defining LPG model.
GLOBALISATION IN INDIA

or, STEPS OF INDIAN ECONOMY TOWARDS GLOBALISATION

Industrial Policy, 1991 is taken to be a first step towards the globalisation of Indian economy. Since then, a number of measures have been initiated to integrate Indian economy with world economy. Important steps are as follows:

- **Convertibility of Rupee.** Convertibility of Rupee means the minimisation of exchange control measures so that the exchange rate of Indian rupee may be determined by market forces in international market. It implies the minimisation of exchange controls. To initiate the globalisation of Indian economy, Indian Rupee was devalued for two times in July, 1991. Indian Rupee has been made fully convertible on current account since 14 August, 1997. Several steps have been initiated to make it fully convertible on capital account also. However, it will take some more time.

- **Import Liberalisation.** Free flow of goods and services to and from other countries is an important parameter of globalisation. It necessitates import liberalisations. India, as a member of World Trade Organisation (WTO), has committed itself to initiate import liberalisation. Free trade of all items except negative list of imports and exports, has been allowed. Import duties on a large number of commodities have drastically been cut down. Tariffs on the import of raw materials and manufactured intermediates have also been reduced. Since April 2001, quantitative restrictions have been totally removed.
Opening the Economy for Foreign Capital. A number of steps have been taken to encourage foreign capital with a view to integrate Indian economy with global economy. A number of incentives and concessions have been offered to foreign investors and Non-resident Indians (NRIs). Foreign Direct Investment (FDI) has been allowed in a number of industries, even upto 100% in some industries.

- **Other Measures.** (i) Foreign companies have been allowed to use their trademark in India. (ii) Foreign companies have been allowed to carry on the activities of trading, commercial and industrial nature in India and also to repatriate their profits. (iii) Non-banking foreign companies are allowed to borrow money and accept deposits in India without seeking the permission of RBI. (iv) Foreign companies can deal in immovable property in India. (v) Transfer of shares from one NRI to another has been allowed. (vi) Selected Foreign Institutional Investors (FIIs) have been allowed to invest in Indian capital market, subject to certain conditions.

**PRIVATISATION**

The term 'Privatisation' is used in two senses: narrow and broader. In narrow sense, privatisation means the induction of private ownership in public enterprises. In broader sense, it means the induction of private management and control in public enterprises.

"Privatisation is the general process of involving private sector in the ownership or operation of a state owned enterprise."

- *Barbar Lee and John Nellis*¹

"Privatisation refers to any process that results in the transfer of functions, activity, asset or organisation in whole or in part which is owned or controlled either directly or indirectly by a Government to a non-government body, generally speaking any change from public to private hands."

- J.N. Goorish\(^1\)

"Privatisation is the transfer of functions or activities or an organisation from public to private sector."

- Dr. A. Peter\(^2\)

**Forms or Measures of Privatisation**

**Ownership Measures.** It means the transfer of ownership of a public enterprise to private sector. When ownership of a public enterprise is fully or partly transferred to an individual or a co-operative society or a company, it is called privatisation. It can be possible in following forms:

- (i) **Total Denationalisation:** Transfer of ownership of a public enterprise in full in private hands.
- (ii) **Liquidation:** Sale of assets of a public enterprise.
- (iii) **Management By-out:** Sale of assets to employees.

**Organisational Measures.** It means a change in the organisational structure and management of a public enterprise so as to limit the state control. It can be possible in following forms:

- (i) **Holding Company:** Government limits its intervention to apex level decisions by transferring a number of functions to smaller units.
- (ii) **Leasing:** To lease out a public enterprise to a private bidder for a specific period.
- (iii) **Restructuring:** To restructure the financial or commercial activities so that public enterprise can become viable.

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\(^1\) J.N. Goorish, ‘Privatisation : Concept’, P. 16
\(^2\) A. Peter, ‘Changes in Economy’, P. 12
Operational Measures. It means an improvement in the efficiency of a public enterprise by: (i) injecting the spirit of commercialisation. (ii) Granting autonomy to the public enterprise. (iii) Providing incentives to employees, (iv) Permitting the enterprise to go in the capital market to raise funds.

PRIVATISATION IN INDIA

or, STEPS OF INDIA ECONOMY TOWARDS PRIVATISATION

There is a consensus that the government should not operate commercial enterprises. Scarcity of public funds, inefficient and loss making operations of public enterprises and slackness in the sense of responsibility and accountability among public sector employees, are the important factors which encourage and compel privatisation in Indian economy. A number of steps have been taken in India to transform Indian economy from mixed economy into a private economy. Important steps are as follows:

- **Dereservation of Industries for Public Sector.** Industrial Policy, 1956 divided industries into three categories and reserved 17 industries for public sector. Now this number has been curtailed to 4 only. Private entrepreneurs are being invited to participate in almost all the sectors of economy.

- **Limited Area of Public Enterprises.** New policy provides that public sector role will be confined in the areas of security and strategic concerns only, such as: (i) Production of basis goods and services, (ii) Exploration of mineral resources, (iii)
Technological development, (iv) Areas ignored by private sector, and (v) Defence and strategic concerns.

**Disinvestment of Equity in Public Sector.** It has been decided that Government equity in all non-strategic public enterprises will be brought down to 26% or lower, if necessary. Public enterprises which cannot be revived, will be closed down. Recent disinvestment in Maruti Udyog Ltd., IPCL, ITDC, VSNL add to the process to privatisation. Disinvestment in a large number of other public enterprises is on the line like Air India, Indian Airlines, MMTC, SCI, HCL, etc.

- **Participation of Private Sector.** Private sector is being invited to participate in almost all the sectors of economy. Power and fuel, transportation, communication and defence are the key sectors in which private sectors are being encouraged to play a key role.

**Abolition of Industrial Licensing.** New policy realises that the controls like industrial licensing, seeking permission at every step and inspector ‘Raj’, etc. should be abolished. Realising this fact, compulsion of industrial licensing has been almost abolished, subject to certain exceptions, industrialists have been allowed to expand their production capacity and to adjust their production schedule according to demand.

- **Removal of Investment Controls on Big Business Houses.** Almost all investment controls on big business houses imposed under MRTP Act have been abolished. Now, all entrepreneurs and business houses can play in almost all the sectors of economy.
ECONOMIC LIBERALISATION: A BOOST FOR
EMPLOYMENT OPPORTUNITIES

Planning in India focused at realizing a high rate of growth of output in the long-run. A basic assumption was that the shortage of capital goods in relation to employable persons constituted a fundamental constraint in the growth of economy. Therefore, the planning process made no attempt to define an independent employment strategy. Focus on economic growth was viewed as essential for improving the employment situation. Initially, labour force expansion was not seen as a problem to be contended with. Thus, in five year plans, the generation of employment was viewed as a part of the process of development and not as a goal in conflict with, or to be pursued independently of economic development.

Policy of liberalization was initiated in July, 1991 along with the central budget. It is now about two decades old and it is natural to enquire how far it has been successful, particularly regarding its impact on labour force. With liberalisation and concurrent privatisation and influx of foreign capital, there was apprehension that it may adversely affect the organized labour class in India, as many persons may be thrown out of employment from public sector work force. Foreign multinationals may render more capital intensive techniques, mergers and take-overs. Competition and efficiency would demand changes a lot of in the type of employment in private sector. Positive aspects of the impact of economic liberalisation in employment opportunities in India may be summarised as follows-
Manpower Planning and Research

In the context of rapidly changing structure of the economy, significant changes are likely to occur in the employment pattern and potential of development sectors and activities as well as in the pattern of skills and manpower requirements. These changes would need to be regularly studied in the short, medium and longer term perspectives so as to provide necessary input for the planning and development of trained manpower at different levels. In this context, the Institute of Applied Manpower Research (IAMR), set up by the Government of India in 1962 with the broad objectives of advancing knowledge on all aspects of human resource development, providing perspectives of the requirements of trained manpower for economic development and evolving methods and techniques of manpower assessment, is expected to play a significant role. The Institute has been endeavoring to meet its objectives through programmes on research, training and consultancy on the basis of regular funding from the Planning Commission and sponsorship from other national and international agencies. The Institute is also implementing the National Technical Manpower Information Service (NTMIS) with the sponsorship from the Ministry of Human Resource Development.

Growth of Employment Opportunities

An accelerated expansion of employment opportunities is necessary both for poverty alleviation and effective utilisation of human resources for the economic and social development of country. Though during the two decades of 1970 to 1990, employment had grown at a rate of about 2.2 per cent per annum, but due to the faster increase in labour force at about 2.5 per cent, the backlog of unemployment has been rising. A declining trend in the employment elasticity with respect to GDP growth in recent years has made the task of accelerating the growth of
employment more difficult. A deliberate and conscious efforts towards employment orientation of the growth process is, therefore, essential.

It is considered necessary to set the goal of employment for all in a time span of the next ten years. Assessment of the present backlog of unemployment and likely additions to the labour force suggest that this goal will require the generation of additional ten million employment opportunities per year, or about a three per cent average annual growth in employment. A relatively high rate of economic growth combined with the pattern of sectoral growth yielding a higher aggregate employment elasticity will be necessary for achieving the rate of employment growth envisaged. Raising employment elasticity in aggregate will require faster growth of the sectors, the sub-sectors and the areas which have relatively high employment potential. A geographically diversified agriculture, wasteland development for crop cultivation and forestry, rural non-farm sector, small scale manufacturing, urban informal sector, rural infrastructure, housing and services, have been identified as the sectors and areas constituting the basic elements of employment oriented growth strategy.

It also needs to be recognised that in addition to the generation of new stable employment opportunities of the order of 10 million per year, it should be ensured that those underemployed and employed at very low levels of earnings, are able to raise their productivity and income levels. Upgradation of technologies for self-employment in the traditional and unorganised sectors and improved access to credit and markets would need to be ensured. It would also be necessary, in the meantime, to continue programmes for providing supplementary work to the underemployed poor in infrastructure building and other activities.
Expansion of employment opportunities has been an important objective of development planning in India. There has been a significant growth in employment over the years. However, a relatively higher growth of population and labour force has led to an increase in the volume of unemployment from one plan to another. The plans should aim at bringing employment into a sharper focus in a medium-term perspective with the goal of reducing unemployment to negligible level within next ten years. Such an approach is now considered necessary also because it is realised that larger and efficient use of available human resources is the most effective way of poverty alleviation, reduction of inequalities and sustenance of a reasonably high pace of economic growth.

Improvement of productivity of labour, employment generation and economic growth are to be treated as mutually complementary rather than conflicting processes. Employment has, therefore, to be generated in the process of economic growth. Employment, to be gainful and sustainable, has, therefore, to be productive in character, it should be able to yield a reasonable level of income to workers and also to generate surplus for further growth and employment generation.

Improvement in the productivity of work-force assumes particular significance in our economy where the low productivity and low income of a large mass of employed persons constitute a problem of much higher dimension than unemployment, measured conventionally in terms of involuntary idleness. Incidence of poverty is much higher than that of unemployment. An overwhelming majority of the poor are, thus, not apparently unemployed, but is engaged for a major part of time in some activity at very low levels of productivity and earning. The Plans strategy should, therefore, focus not only on the creation of new jobs, but also on
the augmentation of the existing employment in terms of productivity and income through suitable technological, market and institutional intervention.

It must be recognised that the demand for labour cannot always be created to suit the characteristics of labour supply. Shortages and surpluses are found to co-exist in labour market due to the mismatch between skill available and requirements of new employment opportunities. This phenomenon is likely to be more marked in a situation of rapidly changing technologies. It would also, therefore, be necessary to intervene on the supply side of labour market with a view to improve the employability of workers. In order that the training and skill formation systems are closely aligned with the trends in labour demand, it would be essential that the users, that is, the employers, have a major role and involvement in planning and running them.

An important aspect that would need careful scrutiny, particularly in the context of economic reforms, is the impact of macro-economic, polices on employment. It has been pointed out that certain policies, such as credit and labour policies, are not always employment-friendly. Policy of concessional credit for several sectors and the labour policy, as manifest in certain labour laws, discourage employment expansion, particularly in large scale industries. On the other hand, in unorganised sector, which absorbs an overwhelmingly large majority of workers, employment is devoid of social security provisions. As this sharp dichotomy in labour market is coming in the way of larger and more efficient use of labour, ways would have to be devised to reduce this gap. Similarly, other policies – credit, fiscal and sectoral, would need to be reviewed with a view to making them more employment-friendly.
Towards the Goal of Full Employment

For the purpose of estimating additional employment needed to achieve the goal of "employment for all" over a certain period, an assessment of the backlog of unemployment in the base year and likely additions to labour force during the reference period is needed. For this exercise, unemployment measured in ‘usual’ or ‘weekly’ status terms would be relevant. ‘Weekly status’ is preferable because the unemployed, according to this concept, did not have work even for one hour during the reference week. Use of this concept also enables an assessment of the magnitude of severely underemployed as those having worked for half or less than half the time during the reference week.

Elements of Employment Strategy

A high rate of output growth is necessary, but not always a sufficient condition for high growth of employment. A structure of growth with larger contribution of sectors having high employment content greatly enhances the employment generation potential of growth. The scope for varying techniques, without the lowering efficiency and productivity levels and reducing the competitiveness of products, is found limited in most of the lines of production. It must be admitted that, in a larger part of economy, technological upgradation involving some increase in the use of capital per worker may be necessary to raise productivity levels. Improvement in the productivity levels of all lines of production, including organised manufacturing sector, will be necessary for the expansion of employment opportunities.

Employment growth has, therefore, to result primarily from the growth of economy. There is no doubt that a larger and more efficient use of labour will accelerate the rate of growth itself, but the latter would largely depend on the availability of other resources like capital and
internal and external demand. The employment potential of growth can be raised by readjusting the sectoral composition of output in favour of the sectors and sub-sectors having higher employment elasticity. An attempt is made to review the past trends in different sectors and also to assess the potential of each of them for faster employment generation in the process of their growth. It may enable us to indicate the broad directions of strategy and policies that can lead to the realisation of the assessed potential in different sectors.

Decent Work as a Development Objective

Gerry Rodgers of the International Labour Organisation (ILO) had developed the concept of decent work as development objective. The concept of 'decent work' is a part of the growing concerns with human development, which adequately integrates economic and social objectives. Development should essentially cope with expanding freedom, which include political, social and economic goal. To use the language of Amartai Sen, his book 'Development as Freedom (1999)', states that development involves the removal of 'unfreedoms', such as poverty, lack of access to public infrastructure, or denial of civil rights. Decent work should, therefore, enlarge freedoms of the people by workers' rights, income security, and employment opportunities. The concept of decent work is, thus, not tied merely to provide employment opportunities but extends far beyond that in terms of improving human capabilities, a social voice at the place of work so as to lead to better workers’ rights. Explaining the notion of ‘decent work’, Garry Rodgers mentions: "When we ask people what they feel is important, what they aspire to, they talk about employment and security for themselves and their families, the ability to provide their children with education and opportunities of life, health and other care when needed, a voice in their
community and their working environment, their rights at work and person respected”.¹

**ECONOMIC LIBERLISATION: A CHALLENGE FOR EMPLOYMENT OPPORTUNITIES**

The New Economic Policy, as adopted in India, is based on the pillars of economic liberalisation, privatisation and globalisation. Unfortunately, the New Economic Policy measures do not contain any specific reform proposals to integrate labour in the overall framework of policy changes. Labour policies do not form a part of the adjustment programmes under the imprint of economic liberalisation. So it is but natural to bear that liberalisation, privatisation and globalisation may bypass the working class. The wave of liberalisation is left free to create its impact on employment and earnings of the work-force, whatever its direction.

Now, so far as the impact of liberalisation on employment is concerned, thinkers have looked at it from optimistic as well pessimistic lenses. In certain way, economic reforms are expected to have a favourable effect on the growth of employment. The favourable effects may arise from greater labour market flexibility and changes in the structure of industries in favour of labour intensive techniques of production. Contrarily, in some other ways, economic reforms are supposed to create adverse effects on employment. The new liberal economic policy regime marked by increased competition on the one hand, greatly improved access to foreign technology on the other, should create among the industrial firms a drive towards the adoption of advanced technology. Most studies on the effects of economic reforms on

employment situation are pessimistic about prospects of employment in the post reforms period. S. P. Gupta, Member, Planning Commission (1969) mentions "Under global competition, market will import and imbibe best global technologies which are quite labour displacing (as they are mostly the outcome of R & D activities of the rich labour shortage economies). Protecting employment in a labour surplus economy and at the same time to remain competitive with the rest of the world are indeed the greatest challenges". ¹

**Real Wage-Earnings and Quality of Employment**

If there is something to be pleased from the quantitative side, as post-liberalisation period has witnessed growth in the volume of employment, there is much to worry about the slow-down in real wage-earnings and deceleration in the quality of employment. Growth rate of real wages manifests a trend of slow-down. The ASI (Annual Survey of Industries) data shows that in the manufacturing sector of India, growth rate of real wage has been 2.48% per annum during 1990-97 as against 4.84% per annum during the 1980s. The data on real wage for agricultural labourers also show that the growth rate was lower in 1990s. Further, the growth rate of real wage for tertiary sector too was very depressed one. It has declined from 5.76% per annum in 1987-88 to 0.97% per annum in 1993-94.

Quality of employment has definitely deteriorated. As a matter of fact, the actualisation phenomenon got accentuated with economic liberalisation. The NSS data show how casual labour has increased from 23% in 1972-73 to about 32% in 1993-94.

There has also been a fall in the regular employment in the country. Mahendra Dev has also worked out that EQI has deteriorated in

¹. S.P. Gupta, Member Planning commission, Govt. of India ‘Global Competition and Employment’.
Agriculture from 0.694 in 1977-78 to 0.675 in 1993-94. In industry, it has rolled down from 0.749 in 1983 in 0.715 in 1993-94 and in service sector, from 0.791 to 0.782 during the same period.

Hence, during the post-reform decade, despite optimistic projection of the Planning Commission, underemployment is eroding the ground of success. Deceleration in real wage earnings and increasing casualisation of employment depress enthusiasm that arose from the impact of economic liberalisation on the growth of employment.