

# CHAPTER I

## INTRODUCTION

### 1.1 INTRODUCTION

The creation of equitable and productive employment is one of the most important global challenges that one faces today. Employment is vital not only for eradicating poverty but also for building a prosperous and stable society. According to ILO, more than one billion people of the world live under unacceptable conditions of poverty (ILO, 1998). Employment is a state of being occupied for carrying out a task for reward. Basically employment refers the supply of labour to the demand for labour from an employer. The Labour Force Participation Rate<sup>1</sup> (LFPR) gives an indication of how many people of working age are actively employed or participating in the labour market. The LFPR at the global level is declining gradually, for example, from 67 percent in 1993 to 66.6 percent in 2003 (ILO, 2003); and 65.7 percent in 2005 (ILO, 2007).

Gender specific LFPR shows that work participation among women has risen in many developing countries in the recent years. At the same time, men's LFPR has decreased in most of the regions of the world. The ILO estimates highlight that the gender gap in labour force has been decreasing in all the regions of the world. In 2003, at the global level, out of the 2.8 billion people who had work, 1.1 billion were women (ILO, 2004). It becomes evident in the increasing age specific female LFPR at global level, that is female LFPR for the age group 25-54 has increased from 61.9 percent in 1980, to 65.9 percent in 1990 and which became 66.7 percent in 2005. At the same time, the male LFPR for male in the age group 25-54 was 96.3 during 1980, which became 96.2 percent in 1990 and 95.1 percent during 2005 (ILO, 2007).

---

<sup>1</sup> The Labour Force Participation Rate (LFPR) is the share of employed and unemployed people in comparison to working age population (ILO, 2004).

Growing magnitude of population, urbanisation, globalization, and technological changes currently present new problems all over the world with respect to employment. Many developing countries are in a situation where they could not provide productive employment for their growing magnitude of new entrants to labour market adding to the already existing backlog of workable population. With that, a new situation has arisen, where the existing workers are losing their employment due to various reasons. For example, in Russia, the market economy has affected the developed economic institutions without any alternative employment opportunities. The mismatch between workable population explosion and decrease in productive-employment has resulted into inadequate labour absorption and unemployment (Nayyar, 2003).

Dislocation of labour, open unemployment and reduced social protection are feared to be the short-term fallouts, while widening and diversification of employment opportunities, rising real earnings and improvement in conditions of work are expected to be medium and long term benefits (Brink, 2004; Papola, 2004). Also, unemployment entails massive loss of output and a tragic waste of people's lives (Sinclair, 1987).

The ongoing global economic crisis is detrimental to both men and women. According to ILO estimates in 2008, 18.3 million unemployed were added to the existing 170.3 million unemployed in 1998 (ILO, 2009). The changing economic reforms adopted by many countries in the form of globalising or liberalising their economy have created vast changes in the economy and labour-force. Developing countries are facing a lot of difficulties to survive and sustain their production of goods, services and their workforce. In some countries, loss of millions of employment has created havoc and widened the inequalities (WHO, 2002: p. 14).

The official unemployment rates in many developing countries tend to be relatively low, since unemployment in these settings usually manifests in the form of under employment, e.g. in Ghana (1988-89) and in Vietnam (1992-93), the proportion of the unemployed was estimated to be 1.6 percent and 1.3 percent respectively, whereas, under-employment in these countries was much higher during the same period (ILO, 1998).

Gender specific data also shows that unemployment is increasing among both men and women. The magnitude of unemployed men and women during 2008 were 108.4 million and 80.2 million respectively (ILO, 2004; ILO, 2009; ILO, 2011). Women are often in a disadvantaged position in comparison to men in the labour markets around the world. Addition to increasing women's LFPR, the unemployment among women is also increasing around the world, highlighting more and more women are not only having joined the workforce, but also many more are seeking for jobs. More women seeking work but unable to find are more than men in all the regions of the world - the female unemployment rate (6.3%) in 2003 is slightly higher than that of male unemployment (6.1%) for the world as a whole (ILO, 2004).

Female unemployment rates are higher than male unemployment rate, reflecting women's disproportionate employment in temporary employment and their substantial share of employment in export-oriented manufacturing industries in many developing countries (ILO, 2009). In Pakistan, during the period 1990-91, unemployment rates for women and men were 27.8 percent and 5.9 percent respectively (ILO, 1995a). In the Middle East and North Africa, the female unemployment rate was 6 percentage points higher than the male rate. Unemployment rates for women are lower than for men in sub-Saharan Africa (at a high level of around 10 per cent) and East Asia (at below 5 per cent) (ILO, 2004). In urban Kenya, 24 percent of women and 11.7 percent of men were unemployed. The comparative figures for Egypt were 27.8 percent and 6.3 percent respectively (ILO, 1995b). In USA, during the two recession periods (1990 and 2001), women represented almost equal share of unemployed and experienced longer spells of unemployment (Stettner and Allegretto, 2005).

In all the regions of the world, unemployment among youth is also on the rise. Youth unemployment rates for both sexes were higher than adult unemployment rates. Young new labour market entrants with limited experience are facing significant challenges in finding employment, in the current environment of economic crisis, where companies are facing pressures to downsize and lay-off experienced employees. The number of unemployed youth (aged 15-24) is increased from 70.6 million in 1998 to 79.6 million in 2009. However, it has declined to 77.7 million in 2010 (ILO 2009; ILO 2011). Youths were nearly 2.8 times as likely to be unemployed than adults at the global level (ILO, 2009). At the Indian level, one could see almost the similar trend.

In magnitude, Indian labour force ranks second in the world, next to China. The ILO compared the economic indicators for the United States with six large emerging economies, viz., China, India, Russian Federation, Brazil, Indonesia and South Africa. Among the countries, India had the lowest level of GDP<sup>2</sup> (2.8%) compared to the highest United States (45.8%) (Chart book, 2009: p.49). However, with respect to Labour Force Participation Rate (LFPR), India ranked fifth in the youth population (15-24 years); lowest in the prime working age group (25-54 years); and second in elderly population (65+ years) among the selected countries (Table 1.1).

Table 1.1: Comparison of Labour Force Participation Rate by Age at Global level, 2007

Youth population (15-24)		Prime working age population (25-54)		Elderly (65+)	
Country	Percent	Country	Percent	Country	Percent
Brazil	63.8	China	93.1	Indonesia	39.6
China	59.6	Russian Federation	88.2	<b>India</b>	29.2
United States*	59.4	United States	83.0	Brazil	24.3
Indonesia	55.3	Brazil	82.3	South Africa	21.1
<b>India</b>	44.5	Indonesia	76.7	China	20.1
Russian Federation	39.1	South Africa	72.9	United States	16.0
South Africa	27.6	<b>India</b>	70.1	Russian Federation	10.4

Note: \* Youth population for United States, ages 16 to 24 instead of ages 15 to 24  
Source: Chart Book (2009): p. 49

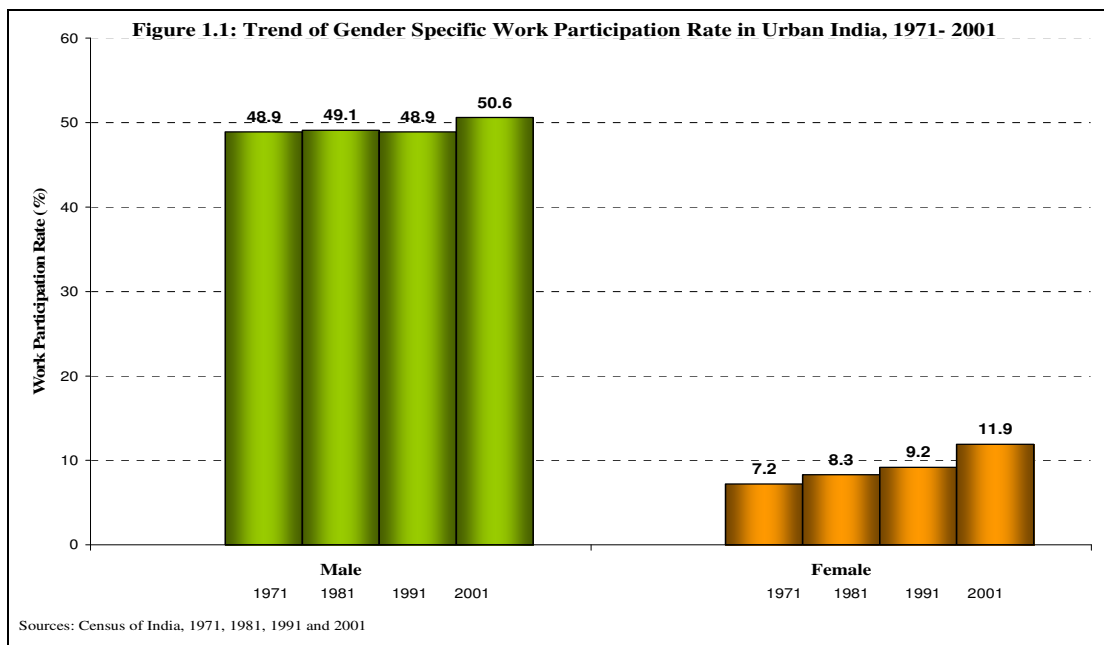
As per Indian Census, the Work Force Participation Rate<sup>3</sup> (WFPR), for India as a whole was 34.2 percent in 1971, which gradually increased to 36.8 percent in 1981, 37.5 percent in 1991 and 39.1 percent in 2001 (Bhagat *et al.*, 2007). However, the gender specific WFPR shows a different picture. The male WFPR is almost stagnant in the same periods, as 52.8 percent in 1971 to 51.9 percent, where as the female WFPR increased tremendously, from 14.2 percent in 1971 to 25.7 percent in 2001. This

<sup>2</sup> Gross Domestic Product (GDP) represents the sum of value added by all producers in that country.

<sup>3</sup> Work Force Participation Rate (WFPR) is defined as the number of persons working per 100 of the total population.

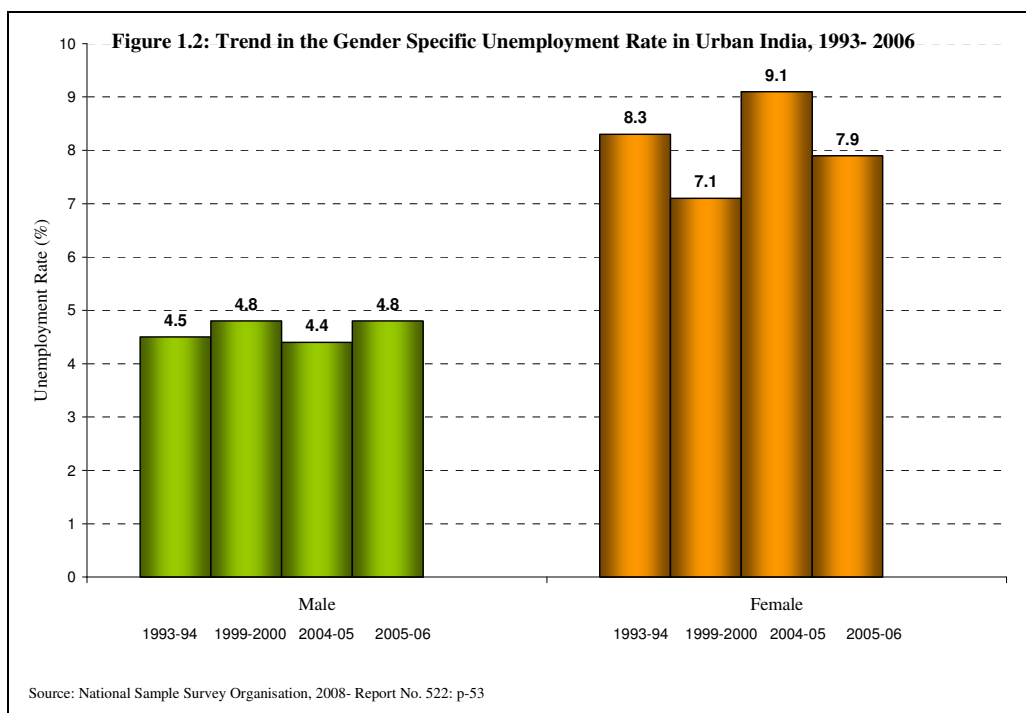
highlights that the marginal increase in the WFPR at country level is attributed to the increasing female work participation during 1971-2001.

In urban India, the WFPR of has declined from 33.5 percent in 1971 to 30.2 percent in 1991. In 2001 it relatively increased to 32.3 percent. The gender differentials in the WFPR in urban India from 1971 to 2001 using the census data set are presented in Figure 1.1. The male WFPR at urban India showed a marginal decline from 1971 to 1991, but there was slight increase in 2001. The female WFPR at urban India showed a straight increase, that is, 7.2 percent in 1971 to 11.5 percent in 2001. This shows the augment of women's entry into the workforce in urban India.



Government of India's National Sample Survey Organisation (NSSO) conducts periodical surveys to collect information on Employment and Unemployment situation in India through various approaches. According to NSSO the unemployment rate for male is higher than females in rural India. However in urban India, the female unemployment rate is higher than males. The unemployment rate by Usual Activity

Status<sup>4</sup>, for urban India during the different rounds of NSSO during the period considered, 1993-2005 is given in the Figure 1.2. The unemployment rate (usual activity status) for male in urban India increased from 4.5 percent in 1993-94 to 4.8 percent in 2005-06 and the same for urban female was 8.3 percent and 7.9 percent respectively. Interestingly, fluctuations were observed in the unemployment rate between 1999-2000 and 2004-05. During this period the unemployment rate among urban male declined from 4.8 percent in 1999-2000 to 4.4 percent in 2004-05, whereas among urban female this rate increased from 7.1 percent in 1999-2000 to 9.1 percent in 2004-05 (NSSO, 2007). These changing scenarios can be attributed to various factors which needs further exploration.



This section highlighted the changing employment and unemployment situation at the global level, as well as in India. In the following section causes of unemployment were discussed in detail.

<sup>4</sup> Usual activity status is the activity status on which a person spent relatively longer time during the 365 days preceding the date of survey.

## **1.2 CAUSES OF UNEMPLOYMENT**

There are many debates on the causes of unemployment in general and involuntary unemployment in particular. There could be one reason or combination of more than one reason. They are given in the following section, separately for unemployment and involuntary unemployment. The causes of involuntary unemployment are mostly same as for unemployment. It is important to know the difference between voluntary unemployment and involuntary unemployment. Unlike voluntary unemployment, in involuntary unemployment a worker who is willing to continue a job at the going wage but s/he had to withdraw from the labour force, due to external factors other than his/her choice. In the following section, the causes for unemployment in general and involuntary unemployed in particular are discussed.

### **1.2.1 Demographic Trend**

Changing demographic trend has important implications on unemployment in both developed and developing countries (ILO, 1998). The new entrants, that is, the young cohort of children entering workable age group, adds up to the previous residue of job seekers which increases the magnitude of unemployed population. In all regions of the world, youth unemployment rate is higher than adult unemployment rate, higher for both genders (ILO, 2004). Currently India is reaping the benefits of its 'demographic dividend' where, the workforce is continuously increasing every year. According to the decennial census figure, the workable population (15-59 age groups) is increasing steadily, that is, their proportion to total population increased from 55.6 percent in 1991 to 56.9 percent in 2001 (Census, 1991; Census, 2001a). According to the government projection, this proportion is likely to increase to 63.3 percent by 2016 (RGI, 1996). The Indian population is growing at 2.5 percent annually; however, the employment is growing at only 2.3 percent. Currently the challenge is to absorb the new entrants and also to clear the backlog of unemployed is great for the Indian Government.

### **1.2.2 Urbanisation**

While industrialization started the process of urbanization, it hardly achieved the levels of economic growth required to provide the growing urban labour force with productive employment. Many cities are facing the multidimensional crisis of unemployment, poverty, environmental degradation and breakdown of urban centres and infrastructure irrespective of their potential (ILO, 1998). Cities are regarded as engines of economic

growth (ILO, 1998), yet in many developing countries, cities contribute to Gross Domestic Product (GDP) which is disproportionate to their size. The absorption of this urban labour force will be a major concern for many developing cities and countries around the world, as many are experiencing economic crisis (ILO, 1998; World Bank, 1991). Urbanisation process in India is slower over the last few decades as per the Census figures. However the urban population is increasing steadily in India, that is, the percent of urban population in India was 17.3 percent in 1951 which increased to 27.8 percent in 2001 (Bhagat, 2006).

### **1.2.3 Economic diversification**

The economic reform measures stipulated by International Monetary Fund (IMF) and World Bank have created vast changes in the economy and labour force of many countries in the last decade of the 20<sup>th</sup> century. Liberalization and globalization of economy have opened up tremendous opportunities for wealth creation and millions of jobs in some countries, whereas it has widened the inequalities in some other countries (WHO, 2002 p.14). Contrary to the expectation, the globalization process hurts the poor badly, and poor countries and poor people are becoming increasingly marginalized (UNCTAD, 2004). Many nations' protected economies have become closely integrated through cross-border flows of trade, investment and finance. This gave the developed countries an opportunity to expand their markets globally, while developing countries are facing a lot of difficulties to survive and sustain their local production of goods and services (Price *et al.* 1998). With global market, the industrial world economy is continually undergoing a process of structural change, in which the amount of labour and capital required by some industries decline, freeing up resources that may be profitably used in the production of new goods and services, to the benefit of firms and individuals (HM Treasury, 2004). Huge open-unemployment situation were witnessed in many countries such as Latin America, South East Asia, East Asia in the past decade (Papola, 2004).

Measuring the job loss due to international trade and investment is very difficult because the reasons for enterprise shut-downs and smaller scale layoffs are often involved with contributory factors, such as poor productivity or deficient management skills. However, employment reduction in manufacturing industry, like textile, clothing and automobile, where the international competition is most intense, the job loss in this



sector could be attributed due to international trade. Data from Canada, USA and 14 European countries indicate that permanent layoffs are higher in manufacturing sector than in service sector, showing that international competition is the dominant cause for job loss (OECD, 2005).

In India, the liberalisation policy initiated by the Indian government in 1991 was in response to the growing industrial sickness during the 1980s. The pre-reform period was dominated by ailing small scale industrial units (SSI) and the post-reform period was dominated by non- small scale industrial units (large and medium industries) (Abraham and Omkarnath, 2006). The recent global economy has strengthened capital however, weakened labour force in India. The labour union's bargaining power which was protecting them long was not shielding them anymore and the employers through Exit Policy had the right to hire and fire workers freely and started to depend on 'flexible workforce' (Datta *et al*, 2007b; Hensman, 2001; Sehgal, 2005; Sharma, 2007). Many attribute this deceleration in employment growth in Indian organised sector to the inflexibility in the labour market. This is believed to have increased the labour costs for enterprises thereby hindering investment, including foreign investment and growth (Sharma, 2007).

The Indian pharmaceutical companies are the badly affected ones by the global economy. Reduction of the customs duties on foreign imports, which increased the price of many drugs manufactured in India compared to the foreign drugs in the Indian market. As a result, these drug factories are closing down their units and throwing the workers out of employment. For example Messrs Boehringer Mannheim, and Parks Davis who were the lone producers of Chloramphenicol in India, stopped their production. M/s. Sarabhai Chemicals closed their Vitamin 'C' plant for a similar reason. For the above drugs, India had to depend on foreign supply. Hindustan Ciba Geigy, Roche, Abbot, Boehringer Mannheim, Boots, Park Davis, Unichem etc. have closed their factories and offered a Voluntary Retiring Scheme (VRS) to workers and they have sold the land of their factory premises at a premium price. Apart from these closures, Pfizer, Rhone Poulenc, Hoechst, Glaxo etc. have reduced their work force. In the later part of 1990s in the Mumbai – Thane region, around 30,000 workers have lost their jobs in the pharmaceutical Industry (Dubey, 1999). BATA shoe company has suffered a loss in the first part of 1995 due to the entrance of Adidas, Nike and Reebok.

This again became profitable in the first part of 1996 due to a cut through the labour force by Voluntary Retirement Scheme (Candland, 1996).

#### **1.2.4 Technological change**

The introduction of more labour-saving production methods, have heightened fears of 'jobless growth'. It is expected that technological change has dual effects, on one hand it can replace labour with capital, and on the other hand it reduces costs and creates new product and services – which in turn generates employment. Depending on the balance between these two effects, technological progress can be either job-destroying or job-creating for the economy as a whole (ILO, 1998). The unemployment resulting due to technological change is considered as 'natural rate of unemployment' and considered as a part of healthy re-equilibration process (Leonard, 1987). It is, thus uncertain whether the introduction of new technology will make labour redundant, or whether it will provide an impetus for reinvigorating economic growth and hence unemployment.

The technological change, labour saving machinery and modernization have not only replaced many employed workers, but such changes also hampered the creation of fast and large employment opportunities; mostly affecting the workers with low skill levels (Nayyar, 2003). Technological up-gradation in the textile mills did not work in favour of women and the proportion of women working in textile manufacturing sector declined considerably (Ramaswamy and Davala, 1992). Women's presence in the power-loom is higher, however, it comes under informal sector. In industries like pharmaceuticals and personal care products industries, there was rapid automation and downsizing of labourers - for example, Hindustan Lever Sewri factory lockout of 1988-89, which resulted in the loss of several hundreds of jobs including those of all the women workers, though the actual closures took place mainly in the 1990s (Hensman, 2001).

#### **1.2.5 Structural Change**

Structural unemployment occurs when people are made jobless because of 'capital labour substitution' which reduces the demand for labour in an industry, or when there is a long run decline in demand which causes redundancies and worker lay-offs. Structural unemployment exists where there is a 'mismatch' between their skills and the requirements of the new job opportunities (tutor2U.net). Structural change is a constant

feature of a flexible economy. As some sectors decline, other sectors requiring different skills will expand. The pace of technological change and global integration will increase demand for a more highly skilled workforce with the ability to adapt to changing technologies and shifting product demand (tutor2U.net).

Occupational structure of labour force and changes therein reflect the pace and pattern of development in a country. A structural change in labour force leads to changes in primary, secondary and tertiary sectors. Many of the industrialized countries have been under going a process of de-industrialization where share of manufacturing employment and output had a sharp decline. For example, in UK, the share of manufacturing workers had fallen sharply, 7.9 million manufacturing workers in 1970 to 4.3 million in 1993. The service sector accounts for the largest share of employment in these countries (ILO, 1998). Additionally informal sector become a major employer in many of the developing countries. In sub-Saharan Africa, the urban informal sector is estimated to employ over 60 percent of the urban labour force. During 1990, in India and Pakistan, the unorganized segment of the manufacturing sector was 75 percent and 70 percent respectively of the total manufacturing (ILO, 1998). In the context of Indian economy, sector-wise contribution to GDP is changing steadily. Compared to industry and agricultural sectors, service sector contribution is increasing steadily (Datta *et al.*, 2007a). With respect to the structural changes, the labour force demand too changes, and the demand for workers in service sector increases. Structural unemployment is hard to separate empirically from frictional unemployment, except it lasts longer than the later.

In Indian urban cities, urban poor survive by working in the informal sector. Unskilled migrants entering the city with hopes of getting employment settle for some form of work in the unorganised informal sector. Additionally, protected formal sector jobs are shrinking and even those with the requisite skills are unable to find proper employment and start to work in the informal sector for survival. This has led to a rapid growth of the informal sector in most of the Indian metropolitan cities. For example, Mumbai, one of the metropolitan city of India, the organised sector employment was 65 percent in 1961. Thirty years later, in 1991, only 35 percent were employed in the formal sector employments (Bhowmik, 2000).

### **1.2.6 Labour/trade union's collective bargaining**

Interference of collective institutions like trade unions in the market process increase transaction costs which ruins investment, which could result into unemployment and welfare loss (Sharma, 2007). In recent years the Indian trade unions have weakened and lost their bargaining power (Datta et al, 2007b; Hensman, 2001; Sehgal, 2005; Sharma, 2007). Fear of losing jobs has impelled unions to accept salary cuts, freezes in allowances and benefits, voluntary suspension of trade union rights for a specific period (Papola and Sharma, 2004). At the national level as per the Public Sector Enterprises (PSE) survey 2000-01, public sector undertakings have seen a net reduction in employment from a level of 2,179 million employees in 1991-92 to a level of 1,742 million in 2001-02, a reduction of nearly 20 percent over 10 years period.

### **1.2.7 Industrial sickness**

Many industries had to close and displace many workers due to industrial sickness. There are many reasons for the industrial sickness, from inefficiencies of industrial establishments to government policies. In the post reform period industrial sickness is influenced in many ways in India,. According to the Board for Industrial and Financial Reconstruction (BIFR), from 1987 to 2002, the cases registered as sick by all large and medium scale units are 4318. These sicknesses had an accumulated amount loss of more than ₹ 89050 crore and 22 lakh employees (2237193 workers) (Abraham and Omkarnath, 2006). The 'sickness' as mentioned by mill owners was due to over employment and the workers' union, however, according to the Lokshahi Hakk Sanghatana Report (1997), 52 percent of this sickness was due to mismanagement and only two percent was due to labour problems. The sickness mentioned by mill owners was a myth and a strategy to close down the mills – the profits from mills were siphoned off to other profitable ventures, outdated machinery were not updated and production was reduced or subcontracted so as to render the mill as 'sick' and this became an excuse to stop paying wages to the workers (Krishnan, 2000).

### **1.2.8 Labour exploitation techniques**

The management had taken up many legal as well as illegal measures to reduce their workforce or to close down their industries. One of the reasons for the prolonged textile strike during 1982 was due to two reasons. First, although entire textile industry was shut for such a long time, the markets did not face any shortage of cloths, because the

mill owners had shifted production to the power loom industry. Secondly the textile mills outsourced their production to the traditional power loom centers in other states and were producing cloths under the same brand names of the mills (Bhowmik and More, 2001). According to the Kotwal Committee report<sup>5</sup>, 8,929 workers were retired during the strike, 42,970 workers resigned from their employment, 51,814 workers were dismissed or discharged by the mill and 2,634 were died during the strike (Ramdas, 2006). According to Lokshahi Hakk Sanghatana report (2001), the closure of Mukand Kurla plant at Kurla which resulted into loss of employment for 1000 casual and permanent workers was the techniques to utilise the land for commercial purpose. Voluntary Retirement Scheme (VRS) was initiated under the provision of rule 48-A of the Central Services (Pension) Rules 1972 (AILS, 2001). According to it, a Government servant who has completed 20 years can retire from service with proportionate pension. Till March 31, 2001, 3,69 lakh employees had opted for VRS (Economic survey, 2003). However, in the current situation the VRS is the outcome of Exit policy and the urge to boost the competitiveness of the industry. According to Bhowmik (2004), due to the 18 months long textile strike in Mumbai in 1982-1983 the textile workforce was reduced by over 1,00,000 and ten textile mills closed down as their owners claimed that accumulated losses during the strike period had ruined them. Studies conducted among the workers who were opted for retirement voluntarily, it was stated that the management had forced them either directly or indirectly to accept VRS (Datta, 2002; Lokshahi Hakk Sanghatana Report, 1997, Ramesh, 2007).

### **1.2.9 Government policy**

Employment in India's registered firms is highly protected. Any firm wishing to downsize or retrench their labour force can only do so by the permission of the state government. Since the introduction of new global economy, Indian government's various policies have removed the protection the workers were enjoying. Government's Exit policy which mentioned earlier has allowed the firms easy access to retrench a worker. Government's initiation on disinvestment of Public Sector Enterprises (PSEs) has declined the employment in central PSEs – reduction of employment from 2.2 million in 1991-92 to about 1.7 million a decade later (Natraj, 2006). Also the 'Contract

---

<sup>5</sup> The Kotwal committee was constituted under the headship of Mr. Manohar Kotwal to enquire into the effects of the 1982 strike of the workers.

Labour Act'<sup>6</sup> and the jurisdiction system though its direct and indirect means trimmed down the power the trade unions were holding and often resulted against the welfare of the workers. For example, in the case Mukand Iron and Steel judgment which was pending for 13 years, the Supreme Court struck down the High Court's interim order regarding the workers' wages, directed that the workers be paid at their 1991 wages (considerably lower than those by the interim order) pending the disposal of the case, and referred the entire matter back to the Industrial Court for fresh adjudication.

In the case (disinvestment) of the sale of the public sector firm BALCO to the private firm Sterlite in 2001, the Supreme Court accepted an affidavit from Sterlite offering to pay two months' wages as advance if the workers agreed to resume work, dropping their demand for the privatisation to be reversed. The Supreme Court went out of its way to 'advise' the workers to consider the 'offer'; under this pressure, the workers withdrew their strike against the privatisation. In its judgement in this case some months later, the Supreme Court ruled that the workers need not be consulted in cases of privatisation.

In the case of Pune-based Bajaj Auto, the high court ordered to make some hundreds of contract workers permanent. When the matter went in appeal to the Supreme Court, the Supreme Court steered the workers to accept a settlement whereby, upon being made permanent, they were liable to be transferred to any part of India, including dealerships of the firm. Upon accepting, all 400 workers found themselves immediately transferred to the most distant spots from Pune to Sikkim.

---

<sup>6</sup> As per the Contract Labour (Regulation and Abolition) Act, the use of contract labour for particular jobs may be abolished or barred upon an application by the workers, if the work is deemed of permanent or perennial nature. A large body of case law were developed over the years, even as late as the 1997 Air India judgement, whereby, if contract labour were abolished for particular jobs, the contract workers employed at the time would have to be absorbed as permanent workers. However, in a 2001 judgement, the Supreme Court ruled that even if contract labour were abolished for particular jobs, the existing contract workers need not be absorbed. At one stroke, this made it meaningless for the contract workers to apply for abolition of contract labour. Not only did this directly affect tens of thousands, perhaps hundreds of thousands, of contract workers whose cases were pending, but it effectively closed the door of the courts to millions of contract workers. (Contract workers in Maharashtra had also extensively used the Maharashtra Registration of Trade Unions and Prevention of Unfair Labour Practices [MRTU & PULP] Act in order to obtain an interim stay on their being removed from service while their case for permanency was pending. In the Kalyani Steel [2000] and Cipla [2001] cases the court ruled that contract labour could not avail of the MRTU & PULP Act.)

### **1.3 UNEMPLOYMENT AND INVOLUNTARY UNEMPLOYMENT IN ECONOMIC THEORIES**

Unemployment was viewed as a macroeconomic problem. Unemployment concept can be viewed in many ways. Many economic theories have explained the causes for unemployment and involuntary unemployment differently in different situation. They are discussed below.

According to Adam Smith and Karl Marx, labour is the only source of wealth (Deshpande, 1983a). But when the demand for this wealth decreases, unemployment creeps in. The classical economists viewed unemployment as a result of inadequate effective aggregate demand, which could be a short-term phenomena resulting from a discrepancy between the price level and wage level. Sundharam and Vaish, (1978) mentioned that according to Pigeau, a direct relation between money wage and volume of employment existed - that high wage is a cause of unemployment - if wage rate is reduced, the labour demand equals to its supply and unemployment can be eliminated. Keynes viewed that the level of employment in a country depends on the effective demand and not on the level of wages. Keynes (1936) argued that unemployment is a result of several factors classified as structural, seasonal, cyclical, frictional and demand-deficient. He viewed that in general situation a capitalist economy is of under-employment, where one finds millions of workers who are prepared to work at the current or even below existing wage rate, but still will not be able to find productive work (Sundharam and Vaish, 1978).

Keynes is the first one who touched on the involuntary unemployment. In his General Theory (1936) Keynes explained that during recession, people could be thrown out of work involuntarily and could not find job. Keynes indicated the conditions in which involuntary unemployment could occur, however did not offer a theoretical definition for involuntary unemployment. Involuntary unemployment is a kind of cyclical unemployment, which arises due to lack of aggregate demand for goods and services. This is also known as Keynesian's 'demand deficient' unemployment and is associated with the transition of the economy through the business cycle. When there is economic recession, one see a rising level of unemployment due to plant closures and worker lay-offs. This is due to a fall in demand leading to a contraction in output across many

industries (tutor2u.net). Current dominant ideology where capitalism is triumphant, firstly, trade union movement came to think of full employment as a natural state of being. Secondly, trade unions could not make any changes to its strategies as most governments rejected the Keynesian worldview and accepted the monetarist doctrine of macro-management of economics; thirdly, trade unions could not cope with the nature and pace of technological progress which displaced many workers at low skill levels (Nayyar, 2003).

The unemployment that exists in India today is a cumulative result of a number of factors and can be compared closely with Keynesian theory. The demographic shift, where a huge volume of employable population are on the increase due to the past high fertility; the reduction in effective demand for workers due to the economic and technological changes; constantly increasing urban population; and the government's inability to generate enough employment to the growing young population; could be attributed as some of the factors for unemployment situation in India.

#### **1.4 CONSEQUENCES OF INTERRUPTED EMPLOYMENT/ JOB LOSS**

Unemployment hampers the economic as well as the social status of a society. Involuntary unemployed/ employment interrupted are the lot who were forced by circumstances to become unemployed; the employment which s/he pursuing is interrupted and he become jobless. Hence it was proposed to study the consequences of interrupted employment or job loss. The consequences of job loss at micro and macro level are discussed below.

##### **1.4.1 At Micro Level**

Interrupted employment not only affects the individual who has lost the job but also the people who were depending on him/her. Here some of the consequences of job loss at individual level to familial level.

**1.4.1.1 Individual level:** Job loss is a form of status passage that directly disrupts an individual's attempt to sustain consistent and positive self images and therefore increases the risk of mental health problems and increased risk of family disruption, domestic violence, divorce and family conflict (Essy, 1993; Moser, 1998; Price *et al.* 1998; Yeung and Hofferth, 1998). A study by Bhowmik and More (2001) on Mumbai's



ex-mill-workers showed that the jobs they got were poorly paid and their income fell between half to a quarter of what used to earn – 63 percent earned less than a third of their wages while the rest earned around half the wages they got as textile workers. A study by Moser (1998) identified a direct link between declining men's earning and domestic violence which often associated with alcohol abuse. When conceptualizing economic hardship, it is important to recognise that it is both objective and subjective and these hardships are critically important for understanding the relationship between job loss and mental health. The downward shift from the primary role of economic provider lowers ones self- identity, and sense of mastery. It also influences the role pattern of the normally sustained social roles as provider, spouse and parent within the family (Thoits, 1991).

Affluent and highly educated job losers suffer more from the loss of identity than the loss of material resources (Price *et al.* 1998). With the changing 'employability' concept, where educational status is not given the priority, the demand for these educated involuntary job losers are less and had to wait longer to be re-employed and often had to settle for lower wages (Datta *et al.*, 2007a). Further, witnessing spouse and family member's withdrawal from social activities and support systems, deepens the distress of job losers (Vinokur and Caplan, 1996). Over the time the contact with the earlier friends (while working) decreases and this reduction in friends' network erodes mental health of the job looser (Liam and Liam, 1988). If the job loser is a single mother or single earner household or who contributed majority of the household expenditure, longer period of joblessness create greater misery as there is no additional income to fall back on (Stettner and Allegretto, 2005).

**1.4.1.2 Spousal Level:** The spouses of the job losers too, become vulnerable (Liem and Liem, 1988; Penkover and Dew, 1988). When household income declines, the first and most important response is to mobilize additional labour, an asset. The common response when the main earner's wage declines, the household's income declines and they supplement their income by utilizing their human resource as assets, spouse enters labour force and if necessary, the children follow (Moser, 1998). According to Bhowmik and More (2001) and Breman and Shaw (2004), after the workers' job loss, their wives and children were forced to work outside home as garment ateliers, street vendors, domestic servants, collecting paper, scrap metal, empty plastic bottles and as

rag pickers to supplement the household income. Bhowmik (2005) in his multi-country study found that most of the women street vendors in Mumbai, belong to families in which the male members were once employed in better paid, secure jobs in the formal sector. After they became unemployed as their enterprises closed, their wives took to street vending to make ends meet. Additionally with the skyrocketing price of basic commodities women in some Indian cities are more and more involved in home-based activities even willing to accept meagre wages (Ghosh, 2008).

**1.4.1.3 Children's Level:** In addition to the above, the distress displayed by job losers affects the well-being of their children too (Breman and Shaw 2004; Elder and Capsi 1988;). In time of financial crisis, often schooling of children cut short as schooling becomes secondary (Breman and Shaw, 2004; Chaujar, 2004; Datta, 2006). Adult unemployment is directly proportional to employment of children (Chaujar, 2004). Bhowmik and More (2001) found that after the job loss, among the textile workers who had school going children, two-third of them had to forgo education as they could not afford the expense or the children had to work to supplement household income –first girls were withdrawn followed by boys. Among 100 ex-textile workers, in 35 of the workers' family, wives or daughters were forced to work as domestic servants or in low paid home-based work to increase the family income (Bhowmik and More, 2001). Economic compulsion, income inequality and poverty often force vulnerable parents to choose between hungers or else sending their children to work (Soon, 1981; UNICEF, 1997). Children lose the earlier comfort that the parent's organization provided, like, education, sports or recreational facilities, and medical facilities which they happened to enjoy earlier (Breman and Shaw, 2004). Some studies had shown that matrimonies of the worker's children were stopped or postponed or could not be conducted as the way planned because of job loss (AILS, 1989; Breman and Shaw, 2004). These studies also showed that the children were withdrawn from private schools, some children had to do work while studying, some could not buy books and afford other fees and also some children failed in their exams.

**1.4.1.4 Nutrition:** When the household's primary income reduces, various measures are taken for substantial survival strategies. Expenditure on various heads, like education, medicine, recreation, health and consumption got reduced. Less expenditure on food consumption is one survival strategy initiated during job loss (Fuchs, 2001). A study by

Ambekar Institute of Labour Studies (1989) showed that to reduce the household expenditure, during the income loss, the textile ex-workers of Mumbai had to curtail their consumption on food. In some families only once a day they had the regular meal.

**1.4.1.5 Health:** Good health status has beneficial effect on productivity and income. Ambiguous work indirectly affects the health, and ill-health is a direct source of cost. Also health indirectly influences changes in lifestyle, education and work participation which enhances individual productivity and longevity. The deprivation that results from economic hardship may affect physical health as well as the general well-being of the family, both because of its impact on basic needs such as nutrition and loss of access to health care (Politt, 1994). Health seeking behaviour for preventive services or acute and chronic conditions is neglected. With limited health benefits, priority to seek medical treatment would be given for children while neglecting acute conditions among parents (Price, *et al.*, 1998).

**1.4.1.6 Family Structure:** Longer period of unemployment can have lasting effects such as increasing debts, dwindling savings, and relocation from secure housing and communities to unfamiliar places in order to find employment (Datta, 2002; Stettner, and Allegretto, 2005;). The number of dependents increased after job loss, as most of the sons who were employed in large factories or in offices sought other accommodation after they were married. Hence only those children who had no job or were engaged in poorly paid jobs remained with their parents (Bhowmik and More, 2001). Family move to native place was one strategy the workers opted during the time of job loss, either they moved alone or with the entire family. Some had to come back as they could not manage there also. Thus, majority of the families moved in to some level of urban poor, not only affecting the living conditions but also the life chances of their children.

**1.4.1.7 Household Economy:** Job loss primarily affects the income level of the family and fall in its living standard. Families that experience a substantial loss of income or work hours are more likely to cut back on expenditure; receive public assistance or migrate with family (Yeung and Hofferth, 1998). Economic hardship can produce a cascade of stressful economic life events that challenge the coping capacities of families and individuals in short and long term. The short term economic hardship

forces people to worry about facets of life that had been previously taken for granted. People may cope with their financial difficulties by drawing heavily on savings and taking an additional debt, and create a spiral of financial problems that will continue even after employment regained (Price, *et al.* 1998). After the job loss, in more than one-third of Mumbai ex-textile worker's families, substituted their earnings by pawning their jewellery. One-third of the ex-textile workers had to send their wives and/or daughters as domestic servants to supplement the household income. The household income increased because the number of earning members increased but the per capita income was reduced. The numbers of low paid workers, including the ex-mill worker, pool their earnings to collectively meet the needs of the family (Bhowmik and More, 2001).

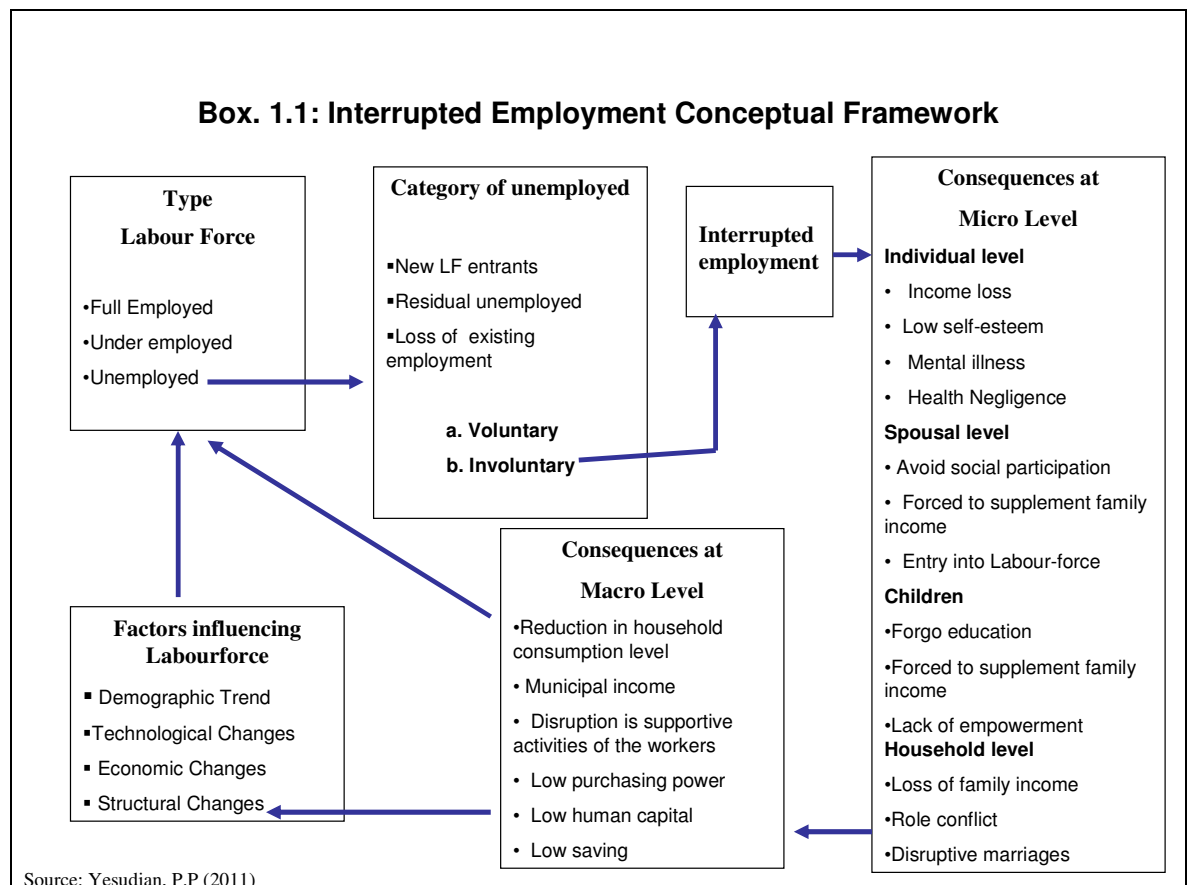
#### **1.4.2 At Macro Level**

The job loss by an individual generates 'ripple effects' and impacts at macro levels. Workers salaries flow into the community by their utilization of goods and services and it gets affected due to job loss. Job loss or unemployment induced poverty tend to opt for huge borrowing to meet the consumption expenditure. As the debt and borrowing of households increases, their saving pattern of decreases. Additionally wage inequality becomes wide in the setting as the job loser or his family members are willing to accept any meager wage to meet the basic needs (Irrespective of the existing wage rate). Reduction in income reduces the household consumption level. Additionally closure of one organization/factory cripples the subsidiary activities and services catering to those workers and their family such as ancillary units, petty trades, service providers (servants, milk man etc.) and transport systems. The relationship between health status and wage level at the micro level, in aggregate term impacts at macro level. Better health, is a prerequisite to optimize the productive human capital as well as a determinant of a supply of a healthy labour force (Lopez-Casasnovas, *et al.*, 2005). A unit of production generates and supplements income for a community. The closure of such unit generates loss for the community that depended on these jobs, such as, trade, banking, hospital, postal, eateries and domestic servants (Hossfeld, *et al.*, 2004; Ramesh, 2007).

Majority of the studies conducted on job loss have highlighted its negative effects on the individual (person who lost the job) and his/her family members. These should not

enter in to the vicious cycle. This study tried to explore, how the decisions taken at macro level (changes in the economy) could affect an individual at micro level.

The pattern of employment, forms of unemployment and the consequence of interrupted employment is shown in Box1.1. It narrates in a nut shell how the human population are divided into various categories by their activity status, like, employed, unemployed and those who were not working in broad three categories. Also it showed how the labour force is influenced in general. The unemployed are divided into three categories as new entrants, residual unemployed and those who lot job. The later category was again divided into two categories, those who lost job voluntarily and those who lost the job involuntarily.



## **1.5 RATIONALE FOR THE STUDY**

The need for conducting this study is given below.

### **1.5.1 Changing gender specific Work Participation Rate**

Recently women's entry into labour force is on the increase, where as men's main work participation is decreasing. Some of the reasons for increasing women's work participation, could be due to the a) increasing governmental effort on female empowerment by allocating job reservation for women and providing subsidies for women's education? or b) parental inspiration on women's status which resulted into higher investment on girl's education or job specific qualification than before? or c) Economic crisis within the home (loss of job of the husband or father or brother) which forces them to enter labour force?. This study is expected to throw light on this issue.

### **1.5.2 Increasing unemployment in the country**

Increasing unemployment rate in the country in general and in Mumbai in particular is a major concern. In 2001 the unemployment rate in Mumbai was 11.5 percent and this rate among the youth (age group 15-24 years) was 28 percent (Kingsley *et al*, 2007), highlighting the high amount of job seekers among youth. It again makes one wonder, to explore the reasons for this high unemployment rate among youth in Mumbai- Is there any other form of economic crisis within the household which increases the need for the family members, especially the youth seeking jobs?

### **1.5.3 Nature of Study**

There are very few studies in this aspect of interrupted employment in India. Majority of the available literature on this topic were based on large scale closure of textile mills in the country, especially in Mumbai and Ahmedabad. All the studies were mostly focused on studying the economic impact of job loss. Not many studies focused on the impact/consequences of interrupted employment on the social side in general and on family relationship and roles in particular. Therefore, the present study is an attempt to bridge the knowledge gap on the impact of interrupted employment as per the economic scenario of 2010 and this study will throw light into those areas that are unexplored.

## **1.6 RESEARCH QUESTIONS**

- 1) What is the magnitude of interrupted employment in India?
- 2) What is the impact of interrupted employment on household economy?
- 3) What is the impact of interrupted employment on familial roles?
- 4) What is the impact of interrupted employment on marital relationship?
- 5) What is the impact of interrupted employment on interpersonal relationship within the household?

In the chapter, the causes and the consequences of job loss / interrupted employment were explained. It was examined that the interrupted employment experienced by one individual, magnified into various negative impact on the other members of the household as well and which in-turn could affect at macro level. Interrupted employment which creates intergenerational impact on the children of those who lost their employment is a major concern. So it was proposed to explore the existing literature on other studies which were conducted on this topic. A clear prior knowledge will enable one to initiate a research in this direction. So in the next chapter, a review of studies, which were conducted on job loss or interrupted employment will be explained.