

# CHAPTER II

## REVIEW OF LITERATURE

### 2.1 INTRODUCTION

The earlier chapter explained the changing pattern of employment and the unemployment situation. Various causes for unemployment in general and involuntary unemployment in particular were discussed in detail. Whatever could be the cause, the consequences of involuntary employment is evident as discussed in detail in the earlier chapter. The effect starting at micro level, from the person whose employment is interrupted (who have lost his/her job), to end up at macro level are explained. Now the focus is more on the involuntary unemployment which will be termed as interrupted employment in the later part of the thesis.

Involuntary unemployment is not a new phenomenon occurring in recent years. Every country went through this process during their period of development. However, now in recent years various changes occurs in the unemployment situation in many countries – high in developing countries such as Latin America, South East Asia, East Asia; sharp decline in UK; and mixed decline in Japan (Papola, 2004). Involuntary employment or job loss or downsizings of workers are often used during economic cycles and economic recessions. Generally, the market based economies are susceptible to financial and economic crisis like, American Great depression in 1929, Mexico crisis during late 1980 to early 1990, Asian crisis in 1997, Russian Federation in 1998, and Latin America in 1999. The Great depression which started in the U.S. on 24 October, 1929 has in turn created worldwide depression that lasted for 10 years. During this period, stock prices plummeted; 9,000 banks went out of business; nine million savings accounts were wiped out; 86,000 businesses failed; and wages decreased by an average of 60 percent. The unemployment rate, previously at 9 percent, rose to 25 percent, which left almost 15 million people without jobs. American unemployment rate was 9.7 percent during 1983, which declined to 7.5 percent during 1992; during the 2001

recession, the unemployment rate was at 6.3 percent (June 2003) and improved to 4.6 percent in 2007 and slowly worsened again, to 7.6 percent in January 2009.

Lakhs of working population of the G-7 countries were on the streets demanding the restoration of lost jobs and increased social insurance benefits. In Russia, the market economy has affected the developed economic institutions without any alternative employment opportunities. In Latin America, Africa and South Asia, where the employment in organised sector is already small, has dwindled the employment. Dislocation of labour, open unemployment and reduced social protection are feared to be the short-term fallouts, while widening and the diversification of employment opportunities, rising real earnings and improvement in conditions of work are expected to be medium and long term benefits (Papola, 2004). In India also involuntary unemployment existed due to various structural, technological as well as due to strikes, industrial closures and so on. The technological change, labour saving machinery and modernization have replaced many employed workers (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).

Many studies are conducted to study the impact of interrupted employment at micro as well as macro level. They are discussed in the following section.

## **2.2 REVIEW OF EARLIER STUDIES ON INTERRUPTED EMPLOYMENT**

There are many studies conducted around the world on the unemployment situation in general and interrupted employment in particular. The findings of studies showed the different mechanism the household and the country as a whole did to sustain their lives and their family members. There are some hypotheses existed regarding to the reaction of workers to economic recession and structural adjustment. The findings suggest that the households during their economic crisis to sustain their loss of household income and to sustain their standard of living, by sending more household members, like women and children joining the labour force. This highlighted the ‘income effect’ of traditional labour economic theories. One such hypothesis is the ‘discouraged worker effect’ hypothesis, where during periods of high unemployment, workers become so

discouraged that they decide to leave labour force. They may return to the labour force once economic conditions improve. Another one is the 'added worker effect' which holds during economic recessions when the primary earner, often the head of the household become unemployed or under employed, other members of the household enter the labour force to maintain family income. Another one is the 'substitution hypothesis'. According to this hypothesis, during an economic recession, profit maximizing employers are to save costs, replace male workers, who demand higher wages, with less expensive and more flexible female workers. This hypothesis is similar to the argument made by the classical Marxist feminists. Another one is the 'buffer hypothesis' where female workers function as a flexible reserve of labour and react to the changes in economic situations pro-cyclically. (For detailed information read Lee and Cho, 2005). These become evident from some of the studies based on these are referred and explained below.

### **2.2.1 GLOBAL STUDIES**

This section, the studies conducted on interrupted employment at global level. Here 'global' in the sense means all countries besides India.

**2.2.1.1 Macro level studies:** The following studies were the studies conducted to study the impact of job loss at macro level. They are given below.

There were many American studies conducted during the Great depression in USA. During the economic restructuring between 1997 and 2000, Robeson County, North Carolina in USA had felt the brunt and lost 41 percent of its manufacturing jobs, more than 100,000 workers were affected. Hossfeld *et al.*, (2004) explained the ripple effect of job loss up at macro level. They studied the job loss in manufacturing sector of 8,708 workers in Robeson County. Being predominantly rural, this county was faced with significant increases in unemployment, bankruptcies, and substantial reductions in household income and business taxes. The initial manufacturing layoffs, and all 'multiplier effects' including both indirect 'ripple' effects and induced, household-spending 'feedback' effects are studied elaborately. The initial loss of 8708 jobs has generated loss of 18,345 jobs through ripple effect. The regional household income had been reduced by \$674 million per year due to the manufacturing job loss. The ripple effect was affecting persons employed in postal service, banking, hospitals, and eating

and drinking establishments. Annual unemployment rates had steadily increased for the state and Robeson County since 1994, which peaked in 2001 and 2002, which corresponded with increased plant closings.

Dumas (2005) estimated the impact of the decline in manufacturing activity on regional employment, household income and indirect business taxes. The study area includes the Robeson County, North Carolina and the adjacent counties of Scotland, Hoke, Cumberland, Bladen and Columbus, and Dillon County. The study presents a very brief description of input-output analysis<sup>7</sup>, the methodology used to estimate the reported economic impacts (the jobs were lost 1993-2003; the impact was felt 1994-2004). The findings are explained at three levels through regional employment, annual and cumulative regional household income, and annual and cumulative indirect taxes paid by regional businesses. Employment impacts included both full-time and part-time jobs. Employment impact was reported in terms of net reductions in federal government employment (resulting from reductions in federal employment due to decreased federal tax revenues) because such impact would occur largely outside the study region. Annual indirect business tax (IBT) impact was summarized by industry sector *each year* from 2004 forward in time due to the manufacturing job losses that occurred in Robeson County from 1993 to 2003. Annual household income impact was reported in terms of net reductions in federal government employee household income (resulting from reductions in federal employment and employee wages and salaries due to decreased federal tax revenues) because such impact would occur largely outside the study region.

Another American study by Stettner and Allegretto (2005) examined the unprecedented period of long-term unemployment and compared it with the economic downturn of the 1990s (1990s and 2001 recessions). The finding highlighted that families faced grave difficulties during extended period of unemployment. They concluded that long-term

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<sup>7</sup> Input-output analysis is an economic modeling methodology used to estimate the full economic impact of a given, initial change in a regional economy. IMPLAN Professional Input-Output Analysis software (Minnesota IMPLAN Group, Inc. 1999) was used in this study to conduct input-output analysis. The IMPLAN software tracked 525 industry sectors, including local, state and federal government sectors. The IMPLAN input-output model accounts for imports and exports of goods and services into/from the study region, commuting of employees and consumers into and out of the region, state and federal taxes that leave the region, and state and federal government payments that enter the region (employment insurance and social security payments).

unemployment is a critical labor market problem requiring policymakers' attention and assistance. Workers receiving unemployment insurance (UI) benefits received, less than 40 percent of their prior wages. The benefits exhausted after six months out of work and they had to depend on significantly or completely depleted savings. The study stated that longer period of unemployment can have lasting effects such as elevated levels of debt, diminished retirement and savings accounts (tapped to meet daily expenses), or relocation from secure housing and communities to unfamiliar places in order to find employment. Three and a half years into the recovery, one in five of the unemployed have been out of work for six months or more. Never before has the overall unemployment rate (ranging from 5.2 percent to 6.3 percent from October 2002 to March 2005) been this low while so many of the jobless have been out of work for such long periods of time. The patterns of job creation following the last two recessions have raised the stakes of job loss for a broadening segment of American families. Women represented 43 percent of long-term jobless workers, on average, from 2001-04, up from 35 percent compared to the 1990-93 period. Such long-term unemployment has a direct impact on children and families, especially families with single mothers. African Americans represented a greater share of the long-term jobless in this economic cycle. Long-term unemployment was expanding beyond blue collar workers: higher levels of education and white collar jobs were not providing insulation against severe joblessness.

**2.2.1.2 Micro level studies:** There are many studies which studied the impact of involuntary unemployment or interrupted unemployment at family level. They are given below:

Eby and Buch (1992) studied the post-job loss activity level, financial impact, family support, degree of family flexibility, friend/coworker support and current emotional level. They used a sample of 518 former clients (456 males and 62 females) of a nationwide outplacement firm. The findings of the study shows that there were significant gender differences observed on several variables such as salary prior to job loss, salary at the current job, age, overall quality of work life at the new job, new job satisfaction, post-job loss family support, and post-job loss friend/coworker support and so on.

Price *et al* (1998) stated that educated job losers suffered more from the loss of identity than from the loss of material resources. They analysed the economic hardship due to job loss which influenced the family to adopt different resilience measures. When conceptualizing economic hardship, it is important to recognize that it is both objective and subjective. Objective economic hardship occurs when people are experiencing a reduction in financial status and have to cope with that by cutting back on their expenses. Subjective economic hardship often referred to financial strain, when people perceive that they are under financial constraint and are anticipating future financial problems. Furthermore, the finding shows that relationship between economic hardship and health outcomes is more general than job loss and is critical in understanding the impact of widowhood for some women. Also, the deprivation that results from economic hardship may affect physical health and general well-being both because of its impact on basic needs such as nutrition and reduced access to health care. Families experiencing job loss often reallocate limited health benefits among family members - may seek treatment for children while neglecting acute conditions among parents, may fail to either seek preventive services or care for their acute and chronic conditions. Job loss had its impact through two distinctly different ways – one materialistic and the other symbolic. One was in the form of loss of income and the other was that of more affluent and highly educated job losers suffered more from the loss of identity than from the loss of material resources.

Mossakowski (2008) studied the influence of socio-economic status on heavy drinking of alcohol. He used the data from the US National Longitudinal Survey of Youth (1979-1992) to study whether the duration of poverty and unemployment is a risk for heavy drinking. The study concluded that poverty and involuntary unemployment for a longer period have lasting effects on heavy drinking.

Gangl (2006) studied a sample of 13 advanced Western economies, i.e., United States and 12 Western European countries (United Kingdom, Ireland, Denmark, Finland, Germany, Austria, Belgium, France, Greece, Italy, Spain and Portugal) to find out the level of earnings after a worker's job loss in their respective countries. He used the panel data from the Survey of Income and Program Participation (SIPP) and the European Community Household Panel (ECHP) for a comparative analysis of workers' post-unemployment earnings trajectories. To estimate the causal effect of

unemployment on workers' subsequent careers, this analysis implements a stratified difference-in-differences kernel matching estimator for the (average) treatment effect on the treated, the (average) impact of an unemployment, spell on the subsequent earnings of those workers having actually experienced unemployment in a given country and year. Results of difference-in-difference propensity score matching show post-unemployment earnings losses to be largely permanent and particularly significant for high-wage and older workers as well as for women.

Vinokur *et al* (2000) analysed data from a randomized field experiment with 1,801 participants examined the long-term effects of a job-search workshop (JOBS) and the independent effects of demographic and psychological factors on reemployment and mental health outcomes after two years. The methodology used was - screening questionnaire collected at the state employment offices was used to determine each respondent's eligibility and risk status for depression. Following randomization to control and experimental conditions, T1 pretest questionnaire with a \$5 respondent payment was mailed weekly to cohorts of respondents who were recruited to the study during its 6-month duration. The questionnaires were mailed about 2 weeks before the invitation for the JOBS intervention workshop to which the respondents were randomized as experimental or control respondents. T2 and T3 follow-up questionnaires, with \$5 payment each, were mailed to the respondents on the second and sixth months, respectively, after the week of the intervention workshop for which they were randomized as experimental or control respondents. T4 2-year follow-up questionnaire with a \$5 respondent payment was mailed to the respondents 2 years after the week of the intervention workshop. Two years after the intervention, the experimental group had significantly higher levels of reemployment and monthly income, lower levels of depressive symptoms, lower likelihood of experiencing a major depressive episode in the last year, and better role and emotional functioning compared with the control group. Baseline job-search motivation and sense of mastery had both direct and interactive effects (with experimental condition) on re-employment and mental health outcomes, respectively.

According to the Gruber and Cullen (1996) study, spousal labour supply was used as insurance against spells of unemployment. Standard theories suggested that women work more when their husbands are out of work, but there has been little empirical

support for this contention. This study over the 1984-1993 data found little evidence of an Added Worker Effect (AWE). One reason for the absence of the AWE may be that unemployment insurance (UI) was providing a state-contingent income stream that counteracts the negative income shock from the husband's unemployment. They also found evidence that families were making labor supply decisions in a life cycle context, since there were effects of UI on the labor supply of wives of employed husbands who face high unemployment risk. Wives in families with children were more responsive to UI benefits in their labor supply decisions, which was consistent with the notion that they have a higher opportunity cost of market work.

Moser (1998) used the *asset vulnerability framework*, to study the families' sustainability during economic hardship. He classified the economic hardship into tangible assets framework such as labor (human capital), less familiar productive assets such as housing, as well as largely invisible intangible asset framework such as household relations and social capital. This urban study was undertaken in 1992 in Chawama in Zambia, Cisne Dos in Ecuador; Commonwealth in the Philippines and Angyalföld in Hungary. The findings suggested that when household income declines, the first and most important response is to mobilize additional labor - demonstrating the importance of labour as an asset. In all the four study communities, when households became poorer, the common response was for more women to join the labour force. The next household response was for children to follow women into the labour force. Gender differences were observed among the children labour force participation. The study revealed that in the poorest household's dependency on their children's labor increased to maintain current consumption, instead of investing in their children's future human capital by educating them. They risked future income-earning capacity, perpetuating poverty from one generation to the next. In all the study communities, women reported that domestic violence was prevalent, identifying a direct link between declining male earnings and increasing domestic violence, often associated with alcohol abuse. Research results also showed that the permanence of social capital could not be taken for granted. The case studies showed a mixed picture of erosion and consolidation of social capital under difficult economic conditions. Overall, the evidence suggested that households with sufficient resources, reciprocity in cash and non monetary exchanges were sustained.



Yeung and Hofferth, (1998) in their paper supported the *permanent income hypothesis*. They documented the extent to which American families experienced major economic setbacks and examined how they adjusted themselves to two types of economic hardships – a substantial loss of family income and a reduction of work hours of the family head. The paper was based on two theoretical traditions: micro economics theory and social stress theory. Data source was Panel Study of Income Dynamics (PSID). PSID provides annual reports of many parental, familial and area characteristics. The sample used consisted of the families of all children born between 1967 and 1973 and present in the PSID between birth and age 20. The findings suggested the ethnic differentials between black and white families. Families with fewer resources and those who lived in areas of high unemployment relied on public assistance, and they were less likely to move, increased the work hours of the female head of household, or cut food expenditures. In families where one person experienced substantial loss of work hours, spouse immediately increased their work hours. In families possessing assets like own house need not increase work hours. This was like the permanent income hypothesis, where families with assets are better able to smooth their consumption and did not need to change their behaviour as rapidly as families with fewer assets.

A study by Fuchs (2001) conducted during the economic crisis in Mexico in 1994-95, shows that within the country the job loss situation was handled differently. For example, the workers and their families of closed down units of Volkswagen and a textile clothing unit in Mexico, adapted different mechanisms during the crisis of their job loss. The ex-workers from the Volkswagen could face the crisis better than the ex-workers from textile unit, in the later case women had to go out or either involved in some gainful activity from home. It was enhanced later by further empirical research. A quantitative study was conducted in 1995 in the city of Puebla, an industrial city of Mexico. The sample size was 1979 households (0.6% of the total households in the city). Various qualitative interviews and interview with experts were conducted. Unemployment before the crisis was 4-5 percent and while during the crisis it was 6-7 percent. In 1994/95, the economic crisis in Mexico strongly affected not only the Mexican economy but also the every day lives of the Mexican population. The study showed that workers from textile/clothing suffered more than workers form Volkswagen. People who had worked in large enterprises, which had to cut jobs, were

not always able to start up small scale enterprises. Shift in employment was observed i.e., mobility of workers from large scale unit jobs to small scale unit jobs. In many workers' households, the wives are forced to earn money, as husbands were unemployed. Women with young children and with low job specific qualification, had great difficulty in finding job in manufacturing industry. Many such women opted different strategy, informal activity - bought things or articles or commodities at cheaper rate and sold them to members of families, relatives and friends.

Employees of Volkswagen used their qualifications to become self-employed as mechanics, electricians or taxi drivers. On the other hand, former employees of textile/clothing industry seldom received money upon dismissal. As they were of machine operators and less educated, they found it very difficult to adapt to new conditions in the labour market. Some workers received compensation, and opened small scale enterprises in residential quarters, like staircase. As primary income diminished, many textile workers during the crisis lived off relatives or off money they had saved for several months. In poorer households, children regularly helped with earning by selling chewing gum or cleaning cars at traffic signals. Lower and middle income families allowed their children to finish schooling. Younger persons who left school, but not married lived together with parents to support the household. Household is the most substantial institution for survival strategies. Families spent less money on food and medicine. Many parents were not willing to spend less on children's education. They hoped that the next generation might live under better condition. Nearly 35 percent of all workers increased their working hours during crisis. When it was not possible to work more hours, blue collar workers looked for additional jobs. Burden of crisis was heavier on women than men. Some migrant poor women unable to support parents, siblings and children turned into prostitution. Social networking had helped many of these workers.

Fernandes and De Felcio (2005) study was based on the Monthly Employment Survey named Pesquisa Mensal de Emprego (PME), conducted by the Brazilian census bureau. The household survey collects information on the labour force (who were over the age of 10 years) every month in the six main Brazilian metropolitan regions (Sao Paulo, Rio de Janeiro, Porto Alegre, Belo Horizonte, Recife and Salvador). The PME data for the years 1985, 1993 and 1999 were used. About 32,000 households are surveyed every

month, 8,000 in each groups. The study revealed the presence of positive Added Worker Effect (AWE) that is much more substantial than those found for the United States. The difference in the magnitudes of the AWE for Brazil and the United States indicate that Brazilian families have greater difficulty than United States families in adapting alternative strategies to smooth income and consumption in periods when the head of the household is unemployed.

Lee and Cho (2005) explored the reasons behind the increasing female labour force participation in Argentina and Seoul. The main objective was to study how female workers would react to an economic recession or structural adjustment. The study was a comparative analysis of the situation in Argentina and the Republic of Korea, focusing on the metropolitan areas - Buenos Aires and Seoul respectively. The female labour force participation behaviour was analysed by using the household survey in the two countries. In Seoul, the female Labour Force Participation Rate (LFPR) declined abruptly just at the beginning of the economic crisis (1997) and afterwards in 1998; it was mainly due to the fact of female workers were withdrawing from labour force entirely. This contrasted strikingly with the situation in Argentina. During the period of economic recession and adjustment, female LFPR in Argentina showed sharp increase, which was mainly due to the increase in new female entrant to the labour force who experienced high unemployment. The obvious question during the 1998 economic crisis was what caused the female workers in two broadly comparable middle-income countries to react to economic recession and structural adjustment in such contrasting ways?. The 'Added Worker Effect' is caused by the substitution of female workers for male workers and the 'discouraged worker effect' by the use of female workers as a buffer for male workers. The authors were of the opinion that more female were asked to leave jobs involuntarily than male workers during the 1998 economic crisis and the ensuing structural adjustment period. On the basis of an analysis of the relative share of male and female involuntary unemployment by industry, occupation, age, educational attainment and scale of enterprises concluded that female workers suffered disproportionately from involuntary unemployment, showing gender discrimination in the course of enterprise reorganisation and structural adjustment. The AWE hypothesis, appears to be confirmed in Argentina. But in Contrast, in Seoul, the female LFPR showed a sharp decline which was mainly due to discouraged female workers

withdrawing from the labour force. The discouraged workers hypothesis was confirmed in Seoul.

Studies by Babline, (2007) and Hill, (2006) were based on the economic crisis in Argentina in 2001. The studies highlighted that in Argentina during the severe economic crisis in 2001, thousand of factories were closed, leaving millions jobless. Thousands of displaced industrial workers, many well educated, turned into *cartoneros* (people with cart). They enter into the city Buenos Aires at night with handmade canvas carts, with women and children to collect materials from trash and sell them in the recycling market for meager money. This night activity had affected the children's education.

These global studies explained the situation of job loss in different countries during economic crisis at micro as well as at macro level. The survival techniques adapted by the families were explained. The Added Worker Effect (AWE) was confirmed in some countries, whereas in some countries it was not. The following section will explain the studies conducted in India on interrupted employment.

### **2.2.2 INDIAN STUDIES**

At Indian level also some studies were conducted on interrupted employment or job loss. They are discussed below. During the textile strike in India in 1982-83, especially in Mumbai and the surrounding regions millions of jobs were lost. The strike was started in 1982 and lasted for 18 months. After the strike a huge volume of mill workers lost their jobs either due to the closure of their mills or the management did not take all the workers back. Many studies were conducted on the workers who lost their jobs or how the textile workers coped with strike duration of 18 months. In the later period also some studies were conducted on interrupted employment due to industrial closures in India, which are discussed below.

The Ambekar Institute of Labour Studies (AILS), Mumbai conducted a study in 1989 to study the impact of the textile strike which started in 1982 in Mumbai (AILS, 1989). Two categories of mills, i.e public and private were selected for this purpose. The addresses of the workers were collected from the time office. Thus, the sampling universe consisted of 11,358 textile workers. From it, 3 percent of them were selected

by stratified proportionate representative sampling. Among it, they could collect information from only 254 workers. Data were collected in two stages – first the work related information was collected from the industry office and secondly the workers were personally interviewed using an interview schedule either at their new work place (mill) or residence. This study 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. It has shown that some of the matrimonies of their children were stopped or postponed due to their job loss. In some cases, they had to cancel the children's marriage as relatives refused to give money, or they could not conduct the marriage as they planned to conduct.

Wersch (1992) did a very detailed study on the causes for the closures of textile mills, opinion of the workers on strike and the coping mechanism the workers and their family members adopted. The study interviewed a sample of 150 workers drawn from two mills of Mumbai, viz., Finlay mill and Spring mill (75 workers from each mill). The findings show that 40 percent of the workers stated marital tensions and/or friction with family members during the industrial strike. In response to no wages for longer period, majority of the workers started cutting into essential commodities like food and clothing. Some of them reduce the expenditure on alcohol and *Bidi* consumption also.

Breman and Patel, conducted a survey in 1998 with a sample of 600 workers who lost their jobs due to mill closure and became unemployed between early 1980 to late 1990 living in and around Ahmedabad city (mentioned in Breman and Shah, 2004). The study showed that the former mill workers had received not more than a fifth of the compensation and other payment to which they were entitled for. After the shock of being expelled, they had to face the discouraging experience of job search and prospects of low wage due to low skill. They faced stress and mental problems; low self confidence; severe health problems like hypertension, heart problems and mental illness. One ex-mill worker committed suicide. In some families the wives and children were forced to work to supplement household income. Children were most affected as schooling of many children cut short (loss of social capital). Girls were forced to accept marriage proposals much below their status. Children and teenagers could not enjoy the recreational activities enjoyed earlier; some male ex-workers had to help in household chores while their wives involved in economic activities, either inside or

outside home. Women became very assertive as a provider of household income and that led to often fights in the family, especially between husband and wife. Indebtedness forced former mill workers to sell their assets and savings to support the household in the initial stages. Workers and their dependents lost the benefits provided by the mill like crèche, nursery, recreational facility and non availability of the Employees State Insurance Scheme (ESIS), which they were entitled earlier. Not all the workers who lost the job had fallen below poverty line. Those who did not solely rely on the labour power (income as wage), and had secondary income from petty means of production (such as motorised rickshaw, hand carts and street cabins) and renters (those who receive rent from other sources of assets such as house or shops or motorised rickshaws) had escaped. The study also highlighted how the collapse of large mills had affected at macro level (ripple effect on petty trade, services and transport network serving them). Many of the former textile workers who were consumers earlier, had to become competitors, as they had to start some petty business or their wives became street vendors.

Bhowmik and More (2001) conducted a survey in Mumbai to examine the socio-economic adjustments of families to overcome the sudden economic crunch and to find out the social institutions through which they could survive. They collected information from 100 families of ex-textile workers of Central Mumbai using informal interviews and discussions to elicit information from the workers. Their findings suggested that most workers were unable to return to their jobs after their strike. Being the main earners in the families earlier (before job loss) they were living with steady and safe wages, social security, permanency of employment and post-retirement benefits. And those did find a new employment, found that conditions had changed and were asked to join as fresh new recruits or as casual workers which meant loss in their seniority and continuity of service and reduction in their post retirement benefits or with no security in employment at all. The jobs they got were poorly paid and in terms of real wages, the fall was much greater. The household income increased because the number of earning members increased but the per capita income was reduced. Of the 72 workers who had school going children, 25 were forced to discontinue their education (either because they could not afford to bear the expenses or because they were expected to work in order to supplement the family earnings), girls were withdrawn first followed by the boys. Those workers who were earning better wages became more vulnerable when

their income level fell. They had to withdraw their children from school after their economic conditions deteriorated. Whereas, in some worker's families (who were earning low wages earlier), they tried to protect their children's education. For example in 35 workers' families, wives or daughters were forced to work as domestic servants or in low paid home-based work to increase the family income. 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.

The Ambekar Institute of Labour Studies (AILS), Mumbai conducted a study in 2001 to study the dynamics of textile workers, for those opted for VRS. The study covered 151 workers drawn from 20 textile mills, viz. 138 workers from National Textile Corporation (NTC) mills, 3 from privately owned mills and 10 from State Textile Corporation (STC) mills. According to the study, the life after VRS was miserable, 29 percent started self employment, 42 percent unemployed, 10 percent became cultivators, 9 percent got job in another factories, 9 percent became security guards, 3 percent started tailoring and 3 percent involved in producing some kind of decorative materials. Nearly 40 percent of the VRS optees were below age 50 years. The young workers and better educated workers were frustrated and disillusioned with their life after VRS, but those who were in the older age groups were more or less reconciled with the life after VRS. In spite of various problems, 56 percent were happy about opting for VRS that they could fulfill major household responsibility with VRS money. But 41 percent were disillusioned with life after VRS because they became financially weak, physically unwell and other family problems arose with their changed family status. Some were unhappy with the changed attitude of families and neighbours.

Datta (2002) studied the workers who have opted for VRS from the textile mills in Mumbai with the assistance of Tata Institute of Social Sciences. The information about the workers who retired under VRS since 1993 was collected by visiting National Textile Corporation's (NTC) offices at North and South Mumbai. The information such as names, addresses local as well as of native place, VRS compensation, provident fund, gratuity amount for 1500 workers from all over Maharashtra was collected. As all details were not available at the local Head Offices of the Corporation, one had to go mill by mill to note down the preliminary data about the voluntarily retired workers. After systematically analyzing the details about the workers in 7 districts of

Maharashtra including Mumbai and Thane, the field survey was done and names were selected on the basis of the concentration of voluntarily retired workers. Detailed background information of these workers was noted down, listed for home visits, and finally 251 workers were actually found available for the interviews. They were interviewed with a structured questionnaire with many open-ended questions. The findings suggested that around 68.6 percent of the respondents had been able to find work, inclusive of self employment by working on their own land. More than 55 percent of these could find some employment within six-month time. And 32.6 percent of the workers started working immediately (within 3 months after taking VRS) in power loom sectors, where the wages were one-third of the mill sector wage without any social security. Most of the workers stated that VRS was imposed on them by the management using indirect techniques such as, the threat of unit closure and the chance of not getting any compensation. VRS benefit was utilized in different ways, some of them invested the money to start a new business; spend on their children's education and marriage; spend on debt repayment and home renovation. Financial well-being apart, emotional and physical health got affected. Many could not afford adequate health services to meet their health needs. A significant number of them found it difficult to continue their children's formal education. Among the children, around 16 percent had dropped out of the school. Substantial numbers of them were depending on the earnings of other family members which was the reasons for school dropouts.

The study by Chakrabarti (2007) was based on the workers who lost the jobs from JK (Juggilal Kamlapat) Cotton Spinning and Weaving Mills Company, which was closed down in 1989. This study attempted to understand the impact of the closure on the mill workers and the changes it had brought on their lives between 1989 and 2005. The selected sample was 49 ex-workers from a total of over 4000 workers who were employed in the factory at the time of closure. The interviews were conducted at the site of *dharna*. The workers were camping on the premises of the labour commissioner's office on an indefinite '*dharna*' since June, 2004, demanding reopening of the mill and an early settlement of all the dues of the workers, including the lost wages for 16 years. The information collected suggested that several hundreds of workers moved out of the city after the closure of the factory - some got other jobs, others who had little asset like land and extended family had moved back to their villages. Nearly 500 to 600 workers died since the closure. A majority of the workers



interviewed belonged to families of textile mill hands, who could not secure a job in any other mills after JK closure. They depended on the unorganized service sector for their living – has worked as street hawkers, rickshaw pullers, set up street corner shacks for *pan masala*, cigarette, *bidi*, and cycle repair shops. Some remained totally unemployed since then. The male felt anguish, feeling of fall of grace and marginalization from immediate and extended family and society. Their children felt that as their father failed to provide the family adequately during their growing up period; they had forfeited him the right to intervene in their lives. Spouse and children of the interrupted workers had to move out in search of job – children had to work as shop assistants, tailors, shack/gumti owner, car mechanic, and electrician in service sector. Some daughters were either remained unmarried or married to alliances below their status. Also, marital dispute made some families to split.

Besides the above studies on textile workers, very few studies were reviewed based on interrupted employment in India. Ramesh (2007) studied the post evaluation of the voluntary retirement scheme in Bharat Aluminum Company (BALCO) from the workers' perspective. Due to disinvestment, a majority of the employees went on an indefinite strike on 3<sup>rd</sup> March 2001, which lasted for 67 days. Soon after the takeover by the new employer, the workforce was downsized through several direct and indirect pressures by Voluntary Retirement Scheme (VRS). Most of their positions were not filled after their exit. 280 VRS beneficiaries in and around BALCO Nagar, Korba, Chhattisgarh were interviewed. Snowball method was used to collect the data. According to the study, 80 per cent of the respondents were not working during the period of survey although 60 per cent of them were willing to work. Forty-five out of the 280 respondents (16%) reported that they are productively engaged in farming on their own land and the rest were found engaged in running small-scale businesses. However, a considerable number of workers were facing acute underemployment. Many respondents felt that they got a disgraceful exit from the firm - vacating them from the staff quarters; benefits they used to derive during their job, such as medical coverage to the family, education expenses of children, and residential facility, were not extended after the VRS, barring a reduced version of medical assistance, which was offered to the retirees and their spouses, after attaining the age of 60 years. A few complained that VRS was thrust upon them without their full consent. Many of them had to bear several direct and indirect pressures prior to their option of VRS. At macro

level, the business prospects in the locality had gone down considerably, subsequent to the massive acceptance of VRS by many workers, which was not corroborated with a commensurate level of induction of new workers.

Some studies while focusing on other issues found the impact of interrupted employment. For example, Bhowmik, (2005) conducted a research study on street vendors in Asia with the aim of assessing the magnitude of street vending in different countries and the composition of the vendors. In Bangladesh, Nepal, Vietnam, Cambodia, Thailand, Singapore, Malaysia, Philippines, Korea – there was a rapid increase in the number of street vendors after the monetary crisis of 1998. Entry into street vending is easier because it does not require high skills and the capital involved is low. He found that in Mumbai, most of the women street vendors belonged to families in which the male members were once employed in better paid, and secured jobs in the formal sector. They became unemployed when their enterprises were closed down and their wives had to take up to street vending. This study also showed AWE.

### **2.3 SUMMARY**

A majority of the studies referred points out that the workers who become unemployed, had to undergo many changes at individual level as well as at the family level, especially for those whose employment gets interrupted. The studies conducted in the developed world (US and Europe) revealed that in spite of institutionalized social security and unemployment benefits available to their citizens, those who lost their jobs could not recover to their former level after the economic recession in their countries. There was economic loss and perceived economic deprivation. Although, the impact of interrupted employment was far reaching for all, it was severe in few countries where the unemployment benefits have not cushioned the ex-workers.

Overall, the above studies revealed that the ‘Added Worker Effect (AWE)’ was proved true in majority of the studies. At the same time, some of these studies have highlighted that this is not a phenomena usually adopted by all and it differs by country as well as the potential of the job looser. For example, Lee and Cho (2005) study on Argentina and Seoul (how they coped up with the economic crisis) showed that AWE was found true in Argentina where as in Seoul it was the reverse. Fuchs (2001) study showed that with in one country, Mexico, different adaptive mechanisms were observed between

those who have lost their job from Volkswagen and textile clothing unit which have closed down. The AWE was found true for the textile ex-workers; however, it was not the same for those workers from Volkswagen. Also, Gruber and Cullen (1996) study found little evidence of an AWE. One reason for the absence of the AWE may be that unemployment insurance which was providing a state-contingent income stream that counteracts the negative income shock from the husband's unemployment.

Most of the Indian studies supported the AWE hypothesis. In India, female LFPR has been increasing steadily, thereby supporting the above hypothesis. Cities with open opportunities for informal economic activities could be a buffer zone to provide opportunity for those who were seeking work. Few studies showed that from economic loss, the families suffered to a great extent. Women and children were the most affected leading to women entering the job market and school drop-out of children to support the family. The studies also revealed friction in spousal relationship due to women taking up jobs to support the family. Majority of the Indian studies were based on the manufacturing units where majority of the work force had low skills. It could have been one reason for this gloomy picture.

Most of the Indian studies were related to the interrupted employment which happened due to large scale closure of textile mills in the country, especially in Mumbai and Ahmedabad. The BALCO study was an exception. Majority of the studies have explored the economic impact of interrupted employment. The social impact is not explored much in-depth. Since the economic reform that took place in 1991, many large industries in the country have been either closed down or reduced the workforce considerably. This phenomenon was widely observed in and around Mumbai. Many industries were closing down or merged with other companies or outsourced their production which all results into loss of employment for million of workers who were living with some form of job security. Hence, it is important to study the interrupted employment in the city of Mumbai.

Most of the studies reviewed were conducted around the year 2005. With the global economy, the employment opportunities in the informal sector are huge and the outcome of interrupted employment in the present situation could be different from earlier years, which is worth exploring. Secondly, except BALCO study, all the studies reviewed were conducted among the textile workers. Therefore, the present study is an attempt to bridge the knowledge gap on the impact of interrupted employment that took place in the post

economic reform period. Hence, it was decided to conduct a study in Mumbai using a combination of ex-workers from textile, power, and chemical industries which have closed down or retrenched a large amount of workers in Mumbai. The next chapter presents the data and methodology used in this study.