Introduction

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Introduction

After economic reforms, circumstances of Indian economy changed. As industrial licensing was withdrawn, companies could expand capacity and set up net units on the basis of their own judgement. In fact, investment in industry grew rapidly after 1991. Regulation on financial sector was also relaxed. Imports increased because quantitative regulations on imports were abolished and import duty has been reduced. Domestic and foreign companies in India were exposed to severe competition. They are forced to adjust to new circumstances. On the other hand, India still has serious poverty. Seventy-four per cent population was living in rural area in 2001. The unorganized sector in urban and rural area is absorbing employment. Many populations are working in unorganized sector, living below and just above poverty line.

The purpose of this study is to examine change of institution in labour market after economic reforms. Labour market is different from other markets in role of institution. Institution plays an important role in labour market. At macro level, not only labour laws and trade unions but also subcontracting affect market. At micro level, wage of employees depends on recruitment and promotion system and labour management. Economic reforms had different impacts on industries and sectors. Each author focuses on the organized sector, the unorganized sector, the finance sector, declining industries and subcontracting.

R.C. Datta emphasizes the role of institution in labour market. He finds out that institutions evolved in the internal labour market of a unionized firm do not supersede the market forces in the determination of wage differential among firm's workers. External and internal labour market institutions are primarily concerned with fairness in the distribution of workload and wages, within the non-market framework of the employment relation.

Shuji Uchikawa examines the organized sector examines employments of the organized sector. It was argued that labour market rigidities caused by government regulation of wages and job securities restrict expansion of employment opportunities. He tried to refute it. Medium scale units employing 50 to 199 gained employment during the 1980s and 1990s. As worker number per unit did not changed in most of industries, it seems that disparities of gross profit ratio did not arise as a result of differences of employment size within the same industry. It was caused by change of industrial structure.

Jeemol Unni compares growth rates of GDP, employment and labour productivity between the organized and unorganized sectors. She argues a dynamic element was introduced in the economy with reforms in an effort to achieve more flexibility in the system. The introduction of flexibility in the labour market led to some displacement of labour and an informalization of the labour force. Although some positive linkages were observed between two sectors, there was an increase in differentials in labour productivity and earnings indicating labour market conditions in the economy as a whole.

Errol D'souza compared turnover per employee of the public sector banks and that of the private and foreign banks. Private banks improved turnover per employee much faster than public sector banks in the 1990s. He ascribed the reason to downsizing of the clerical and subordinate cadres in the private and foreign banks. The composition of the workforce in public sector banks by contrast is still dominates by the clerical and subordinate staffs. Moreover, he argues an internal labour market followed by the public sector bank is not appropriate to run organization efficiently and discourages the motivation of employees.

Tirthankar Roy points out that the overall extent of job-loss in the organized sector was limited in the 1990s. The problems of firm-bankruptcy and loss of jobs have been especially acute in certain industries where these problems have had older roots, certain firms within these industries, the late-1990s recession and older industrialized states. He argues reallocation of labour from declining to profitable sectors took place significantly within the organized sector and between the organized and the unorganized sectors. Firms that have survived within the declining industries, aggressively pursue contract employment and plant-level bargaining.

K.V. Ramaswamy analyzes the impact of outsourcing practices on labour market outcomes after economic reforms. The value of subcontracting activity was growing at a faster rate than growth rate of output in organized manufacturing during the 1990s. If enterprises contract out exclusively with the objective of saving labour costs, the growth of contracting should result in greater earnings inequalities between the organized and the unorganized sectors. There is no evidence of widening of real earnings differentials among the two sectors. Moreover, negative effects are not observed in terms of earning per worker and employment in the unorganized sector of contract intensive industries.

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