Contingent workers: Women in two industries in Mumbai

Gandhi, N.; Shah, N.

Citation for published version (APA):
We should have had the elephant as our national animal instead of the peacock. We are too big and move too slowly. If the trunk is clearing a path, the feet are trampling on something. Our ministers like the three blind men can understand parts but have no idea of the whole economy.'

Interview with an owner of a small plastic toys unit.

In 1991, India shifted from the older, post Independence to a neo liberal economic model and proceeded to bring in sweeping and radical changes. Concerned by this sudden shift, activists and economists extensively analysed the consequences and potential dangers of the reforms on people. Alongside these 'impact studies', was another body of literature analysing the origins and consolidation of the liberalisation policies. We draw on both bodies of literature as the process of liberalisation is an economic, political as well as a social process affecting the lives of sections in society in differing ways. It is about the role of the market as well as the role of the state vis a vis capital and different groups of people. In the first section of this chapter, we look at the main contours of the old economic model and the new one in the context of manufacturing, employment growth and the social sector. In the second section we explore the shift to the new model through the involvement of different actors and the consequences of the strategies used on different groups of people. The concluding section analyses the possible dangers of the present strategies of liberalisation and puts forward alternative ones. This chapter serves as a macro level background to the following empirical chapters on the two industries that we have studied, women and the changes in their households, their workplace and collective action. As we will see macro trends and policies resonate
in women's lives and work just as much as the micro levels influence the former.

**SHIFTING PARADIGMS**

India has a long history of traditional manufacturing and trading in the pre-colonial period. The British began a process of de-industrialisation by turning India into a source of raw materials and market for its finished goods (Sarkar, 1983). After gaining Independence in 1947, India, like many other Asian and African countries, wished to leap frog from a colonised state into an industrial, economically and socially developed, modern nation. The post Independence government decided on a 'mixed economy' model, with extensive state intervention, land reforms and social development programs for the poor. Indigenous industrialisation was equated with modernity and self-sufficiency. State policies encouraged industrialisation through import substitution, extensive public investment, and the development of heavy industry. Industrialisation was meant to increase the role of the manufacturing sector in the economy so as to reduce dependency on the agricultural sector and change the composition and growth of employment. A generation of 'midnight's children' or those born on Independence Day grew up with a limited range of Indian products, a huge state bureaucracy and a closed market. And poverty alleviation was a constant state concern over which many an election was lost and won.

**Laying the Rules**

The first prime minister, Nehru and his group of economic advisors formulated a two-pronged strategy of economic growth and social development to be achieved by the Industrial Policy of 1951 and Five Year Plans. One of the assumptions underlying the new economic policy was the necessity of the state to play a major role for rapid industrialisation, especially the development of heavy and basic industries. Except for the first, all the other Plans stressed industry by allocating 13.6 per cent to 32.5 per cent of the outlay for industry. The Public Sector Units (PSUs) encompassed a wide range of activities and totally dominated certain areas like the railways, electricity, aircraft production, telephone production and trading in specific commodities. The state had regional or partial monopolies in areas like road transport, electronics and heavy chemicals. It also entered the market in partially
competitive areas with assured market shares like fertilisers, steel and machine tools.

The second assumption was that private capital with its tendency for profits and monopolies should not be given the task of development. Whilst there were no restrictions on government enterprises, the private sector was regulated by the Monopolies and Restrictive Trade Practices Act, 1969 and the Industries (Development and Regulation) Act, 1951. Industries, defined as 'large' (according to their market share and production capacity), were to obtain further licences in order to prevent them from becoming monopolies. The system of licensing introduced by the 1951 Act regulated 38 'scheduled' industries, their establishment, expansion, and product diversity (Mookherjee, 1995). All large enterprises with over Rs. 25 lakhs of fixed assets and with more than 100 workers were expected to go through a cumbersome and time consuming process of securing licenses. The government also had powers to control private industry by ordering an investigation, taking over management, and through the regulating of prices and distribution. The Industrial Policy Resolution of 1956, nicknamed the Mahalanobis Plan, streamlined and operationalised the earlier one by re-classifying industries putting forward a policy of supporting cottage, village and small scale industries. Between 1967 and 1977 about 180 items were reserved for the small-scale sector. The list expanded to 500 and by 1980 had reached around 800 products (ibid).

The third basic assumption, which underlined Indian policy, was that self-sufficiency could be achieved by import substitution, market protection and a restricted role of foreign capital. Companies, which had a foreign equity of 40 per cent or more, were termed 'FERA companies' because they fell in the purview of the Foreign Exchange Regulations Act, 1970. It regulated dealings in foreign exchange as well as foreign investments. Technology transfers, collaborative ventures and direct foreign investments were discouraged. The Import Trade Control Order of 1955 placed quantitative restrictions on all imports. Some products were restricted and others totally banned. Manufacturers wanting to import capital goods or components approached a directorate with wide discretionary powers. Imports were not allowed if an Indian firm was capable of manufacturing the goods even though it's pricing was not competitive. Imports were further restricted by the imposition of tariffs, the highest amongst industrialising countries.
For social development and poverty alleviation, several committees within official bodies like the Planning Commission and other independent ones were set up to advise on financial allocation and the establishment of infrastructure. The operative assumption was that with state intervention through budget allocations and specific programs, the level of poverty would decrease and levels of education, food security, and health would improve. By the 1970s, some of the infrastructure like schools, colleges, hospitals, primary health centres and a food grain distribution system was in place.

This ideology driven approach to structuring industry had some positive and negative repercussions. In the first decade of planning, there was a rapid rise in the industrial growth rate and a sectoral shift from agriculture to mining and manufacturing and services in terms of output and employment. Secondly, the planners could establish a diversified industrial base with an emphasis on capital goods and metal-based industries. The best years, according to the index of industrial production, was between 1961 and 1965 with an average rate of growth of nine per cent. The sharpest increase was in the capital goods industries, where the average annual rate of growth was nearly 20 per cent. The basic goods industries rose by 10.5 per cent and consumer goods by five per cent (Rangarajan, 1995).

The stimulus for this growth came from the large funds allocated by the Five Year Plans, funds from abroad, and the policy of import substitution. The process of industrialisation did absorb a large number of workers. The Commerce Research Bureau reported an increase in the rate of employment at 3.5 per cent per annum. Agricultural performance showed an initial increase, and prices were maintained because of cheap imports of food grains. Overall in keeping with the broad objectives reasonable progress was made.

The problems began to show up by the beginning of the 1970s. Agriculture was faring poorly as land reforms and tenancy laws remained on paper. The wheat or Green Revolution was restricted to a few northern states. The rice or white revolution never took off, as tenants were not interested in making changes for absentee landlords. Agricultural production fluctuated with famines, droughts and poor monsoons. There was a fall in industrial production mainly in metals, machinery and intermediate goods industries. The number of public sector units and the capital base expanded much faster than private companies, but most of the major public projects took an average of
two years longer than anticipated by planners and cost 40 per cent more (Shetty, 1978; Sarma, 1995). The rate of employment should have risen to at least 15 to 20 per cent per annum.

By the beginning of the 1970s, the main political issue to emerge was inflation. A crisis was brewing and practically all sections of the society from farmers, industrialists and traders to peasants and workers were dissatisfied. The Communist Party claimed that 1,500,000 had participated in their land grab struggles. The Indian Labour Journal (1974) noted that there was an increase of 11.5 times in industrial disputes and lost man-days between 1951 to 1965 and 1965 to 1975. Three important mass movements took place, the Navnirman and Bihar student’s movements and the first ever Railwaymen's struggle that hastened the declaration of the State of Emergency by the Indira Gandhi government (Gandhi, 1996).

**Loosening Rules**

By the late 1970s, the Congress Party and its economists tackled the economic slow down through the dual policy of strengthening some restrictions so as to protect small-scale industries and liberalising restrictions on large enterprises. It was an attempt to introduce some flexibility within the broader framework of a structured industrial policy in order to diversify and expand production. The new ‘broad banding’ policy allowed firms to diversify their production to similar products without seeking prior permission. The pricing and distribution controls on cement and fertilisers were relaxed. Some types of imports were permitted. Exports were encouraged with fiscal and import incentives. Other complementary monetary and tax policies were also initiated. To protect workers and stimulate production, the Sick Industries Companies Act, 1986 and the Board of Industrial and Financial Restructuring was set up in 1987.

The period of the 1980s was significant because of a reversal in the growth rates of the gross domestic product (GDP) and industrial and manufacturing output relative to the earlier period. The GDP grew at the rate of 5.4 per cent per annum compared to an approximate rate of 3.7 per cent during the 1970s. Manufacturing and industrial output grew at an annual trend rate of 7.5 per cent and 7.3 per cent annually which is higher than the four per cent rate between 1965 to 1979 and higher than the growth rate achieved during the first two five Year Plans (Srivastava, 1996). Compared to an average advanced industrial
country, India grew almost twice as fast and about thrice as fast compared to a typical poor developing country (Corbridge and Hariss, 2000).

However, this growth was qualitatively different from the earlier one. Earlier the fastest growing sectors were the metal based and heavy machinery sectors. The spurt in industrial growth now was in the electrical machinery, chemicals and leather. A use-based classification shows that the fastest growing sector was the consumer goods one. The rising demand for consumer goods can be linked to rising income levels of the middle class. Multinationals, selectively encouraged to invest in the country, had joint ventures for automobiles like Suzuki, Honda and TVs with various Japanese companies. Computers and computerisation was ushered in as a way to move into the 21st century. The beginning of the 1980s 'take off' has often been attributed to the Rajiv Gandhi Government, which started the process of liberalisation.

Manufacturing growth was mainly in the formal sector and did not create employment opportunities for the rural poor who continued to depend on work in the countryside and the urban informal sector. The rate of employment declined during 1985 to 1990 though the total number of working man-days increased (Mookherjee, 1995). This suggests that there could have been a better utilisation of labour and/or an increase in sub contracted labour. Strikes and the number of unionised workers had decreased in the eighties.

The 1980s period also proved good for the government's other broad objective of poverty alleviation. The percentage of rural poor households (which form the majority of the poor) fell from 57.3 per cent in 1970-71 to around 33.7 to 35 per cent in 1989-91 according to the National Sample Survey Organisation (NSSO). There were positive results from strong labour movement in parts of Kerala and Bengal, establishment of irrigation facilities, the growth of non agricultural rural employment, and from state schemes like the Integrated Rural Development Programme, the National Rural Employment Programme, Jawahar Rozgar Yojana, Employment Guarantee Scheme and The Development of Women and Children in Rural Areas.
The New Economic Policies

This change in policy direction and a subsequent improvement in growth rate was not enough to stem the impending external debt crisis that the Indian Government was heading towards. The Rao Government in July 1991 announced the acceptance of loans from the International Monetary Fund/World Bank and its structural adjustment programs to bail the country out of its debt crisis. The adjustment program and subsequent liberalisation program put forward the neo liberal model of a development process, which espoused a reduction of government expenditure, the removal of state regulations, market protection and privatisation. It meant a total reversal of India's economic policies to an open, liberalised market with privatisation and a restricted state role.

The government's first move was to liberalise the finance market. The rupee was devalued and by March 1993, the real depreciation of the rupee had reached 25 per cent. Partial convertibility of the rupee was established and foreign exchange controls were simplified. Nationalised banks were asked to rationalise lending rates and make finance available to the private sector and deposit rates were partially deregulated. Foreign banks, private mutual funds and foreign finance institutions were given an entry. By the beginning of 2000, the state dominated insurance sector was opened to foreign companies by a new act.

To complement the finance policy, the government reformed its trade policy. Tariff rates had been the highest in the world and foreign trade had been controlled by regulations. The EXIM or export/import policy removed all restrictions and the linkage between imports to exports. The General Agreement on Trade and Tariffs was signed for lowering tariffs across borders. The peak rates of tariff fell from 200 per cent to 65 per cent from 1990 to 1994. With the lowering of import duties, the consumer market was flooded with branded goods from abroad.

The Industrial Policy of 1991 abolished the earlier licensing policy of 1986 except for a few select ones relating to national security, hazardous chemicals and the environment. The list of industries reserved for the public sector was reduced from seventeen to six. Products meant for the small-scale sector were put on the de-reserved list. The Foreign Exchange Regulation Act was substantially diluted in order to attract foreign investments. Foreign participation up to 51 per cent was
permitted in 34 industries and clearance for the remainder was speeded up. Restrictions on large industrial houses were lifted by the amendment of the Monopolies and Restrictive Trade Practices Act to allow for growth, mergers and joint ventures.

Other assorted decisions were made to complement these changes. A Voluntary Declaration Scheme was announced to flush out 'black' or cash money for productive uses. Private and foreign investment was solicited for energy and infra-structural facilities. The private sector was propped up with tax incentives and reduction of taxes. Some slow moves were made to bring in reforms in the banking sector, which had been nationalised in 1969. Foreign banks were given an entry. Those reforms which would have directly impacted on the majority of people like the privatisation of public sector units and labour law reforms (workers), denationalising banks and downsizing government employment (white collar workers), the removal of subsidies (farmers and the poor), and agricultural reform (small farmers) were spoken about without being implemented.

The pro reform lobby was pleasantly surprised at some of the successes. The real economic growth plummeted to below one per cent but in a year, it quickly rebounded and rose from 1992 to 1994, to over 7 per cent and then dropped back to 5 per cent (Shome and Mukhopadhyay, 1998). Manufacturing did not do too badly. After the recession of 1991-92, it recovered to show annual rates of growth of 10 per cent or more for the next four years (Majumdar, quoted in Corbridge and Harriss, 2000). The World Bank found India's foreign exchange reserves quite healthy (World Bank, 1998). The policies encouraged a spate of foreign companies to invest in the country. In 1991 foreign direct investment totalled Rs. 158 crores which rose to Rs 6750 crores in 1995 (ibid).

THE PROCESS OF REFORM

'Impact studies' analysing the new economic reforms usually take a before/after approach using specific indicators to see trends and differences in two time periods. The 'liberalisation as a process' studies complement the former as they analyse the reforms looking at its origin, different actors and strategies used. Scholars and Left parties see the International Monetary Fund (IMF) and the World Bank as the main influences behind the reforms. Kohli (1989) points to the powerful
group of advisors around the prime minister as the motivating force. Others like Patnaik (1985) and Bagchi (1985) considered industrialists as the main beneficiaries. Pedersen (2000) identified the emergence of a new set of technologically advanced industrialists different from the post Independence group of large, family owned business and industrial houses and their interests. He states that all the three sets of actors have a role to play but not an equal one in the introduction and implementation of the new policies. He differentiates the separate elements of the policy as setting of the agenda, the timing, contents and implementation of the policy and co-relates them with three sets of actors namely external forces like IMF, the state elite or advisors and domestic groups like the big industrialists.

We believe that ruling party politicians can be seen as a fourth group of actors as they play a role from the decision making stage to that of implementation. They bear the brunt of criticism and protest from opposition parties and public opinion as they strategise for its introduction and implementation. Whilst using the general terms to group the main actors, we mean those within each group who are decision makers or the most influential actors. The World Bank as an actor includes its president and the representatives of the G 7 countries, which decide the amount and conditions of loans. The state elite or economic advisors are a chosen group of people who work closely with the ruling party politicians. Patel (2001) has detailed some interactions and named the advisors, industrialists and politicians who shaped the early phase of the Indian economy. The industrial group is represented by two of its federations and associations, which in turn voices the concerns of its members.

**The Actors, Actions and Impacts**

**The Agenda and The Timing**

The four main actors in their own way and for their own reasons were ready to make a radical shift towards initiating the new economic reforms. The World Bank and the developed nations have been keen on drawing developing nations into a globalised economy to gain access to hitherto closed markets. They were ready to oblige should India ask for a loan and accept its conditions. Economists like Bhagwati and Ahluwalia and advisory committees had submitted proposals for a liberalisation process several years before its actual introduction. The
Financial Express (11-7-90) carried Montek Singh Ahluwalia’s proposals for liberalisation of the trade, financial and industrial sectors.

It is not unusual for the government to set up groups of scientists, technocrats and economists and then shelve their reports and proposals for an indeterminate time, e.g. the Mandal Report gathered dust until V P Singh took it up or after the second Pokhran nuclear testing, the chief scientist said that they had been prepared for the past few years.

In March 1991, Rao and his Finance Minister presented a tame Budget with not even a hint of reforms. A few months later, he ushered in the new reforms with a ‘there is no alternative’ position quoting the external debt crisis caused by the Gulf War and incorrect policies of past governments as some of the immediate causes. The balance of payment crisis gave an extra edge to the recommendations of the pro-reform economists and the Rao Government put it to a political use by ushering in the reforms along with the World Bank loan. Some economists have argued that the balance of payment crisis was an old one, which had become acute. It could have been solved with a stabilisation program rather than total reforms. But the quickness of introduction left no room for debate.

The Contents

The most likely actors for the formulation of the contents of the reforms are the officials of the World Bank, the economists associated with the government and the influential family business, post Independence industrialists and the new emerging ones. The World Bank has a policy of stabilisation and structural adjustment, which has to be implemented by borrowers. The older industrial group would have preferred a combination of liberalisation and protection.5 The younger, newer group of industrialists wanted a greater freedom of operations e.g. the Ajay Piramal group in 1998 and once again in 1993 took over two multinational companies to bolster its product line (ibid). In the 1990s, information technology and the software industry professionals in India and with offices in USA had emerged as a prominent group in the industrial sector. It is very likely that this new group and the economists formed a strong front for the introduction and formulation of the contents of the reforms.
The Pace and Continuation

The World Bank keeps a close watch on the pace and progress of economic reforms with periodical reports, visits by top officials and press releases. Pressure also comes from other bodies like the World Economic Forum (WEF). In 1996, the WEF's chief advised the government to go beyond the debate on irreversibility of the reforms into its second phase (Economic Times, 29-10-96). What has been amazing is the smart pace and continuity of the reforms. It would not have been surprising if the reforms were abandoned midway like the halfhearted attempts of the mid 1980s. Instead we have the phenomenon of political parties like the Congress with its 'socialist, mixed economy' ideological baggage, the United Front with Left allies totally opposed to liberalisation and the Bhartiya Janata Party, drawing support from its rightist organisations which have a 'swadeshi' (buy Indian, be Indian) program, espousing the cause of liberalisation. The perseverance to continue the reforms and that too at a fairly quick pace seems to have found roots.

On the one hand, there was the very real danger of losing the subsequent instalments of the World Bank loan if its stabilisation and structural adjustment programs were not implemented. On the other, the economic reforms seem to have presented a different and new political opportunity. There was widespread support for economic reforms from the industrialists, the professionals, middle class traders and large farmers who were open to selling their skills and goods in the international, higher paying market. And at a different level, the ruling politicians could have seen a glimpse of greater benefits from incoming multinationals. So far the political group and industrialists have shared an ambivalent relationship, at once predatory and co-operative. The 'license raj' had provided plenty of opportunities to reap benefits for both. In its dealings with multinationals, there are, to date, no public cases of corruption. But the nature of the dealings with Enron, the energy giant and two successive governments in Maharashtra had lead to a host of suspicions and allegations from anti Enron and environmental groups.

Secondly, the continuity of reforms was the result of skilful strategising on the part of the politicians. It is common for politicians to bring in Nehru, Gandhi and the spirit of the freedom struggle in their speeches. Following that tradition, the finance minister in his
budget speech said that liberalisation was not only necessary but an alternate means of bringing in Nehru's development vision of self reliance (Times of India, 1-3-1992, quoted in Jenkins, 1999). This goes beyond the mandatory, politically correct harking back to the past. It uses the past to put up a show of continuity where there is none. Indian politicians are apprehensive of radical change as it has the potential of provoking protests and unrest from vested interests in a multi culture, class and caste society. It is more expedient to pass off change as an alternative form of past policies or 'change as continuity.' Narasimha Rao repeatedly emphasised the relevance of the Gandhian themes of village self-reliance to liberalisation (Jenkins, 1999:178). Such statements simultaneously distort the ideologies of village self-reliance and liberalisation and obfuscate the real changes. They tacitly warn one against challenging the wisdom of earlier leaders. By skilfully projecting a feeling that nothing unusual was being done, the ruling politicians had stealthily (and cunningly) introduced and continued the process of reforms.

Implementation and Impacts

Even if we were to argue that in a vast country like India, it is a political necessity for politicians to use rhetoric and deviousness to resist attacks from opposition parties and maintain their mass constituencies, it is impossible to escape the major consequence of such a strategy. As the ruling politicians claimed that they were not introducing change, they conveniently dispensed with the democratic process of public and parliamentary debate nor did they seek support from the electorate on a reform plank. There was no articulation of a vision of an alternative development model and its accompanying strategies. None of the politicians belonging to the moderate Congress, the United Front or the rightist BJP had the courage to show up the failures and corruption in the older economic model and call for a radical break from the past. It would have involved exposing the industrialist-politician and industrial-bureaucracy nexus as well as government inefficiencies. It was far easier to use the strategy of camouflaging change and pretend to continue the older, tried and accepted policies and project themselves as the champions of the poor.

The ruling political group in most democracies, especially in a country with the size and complexity of India, will be pushed and pulled by different pressure groups and will have to be extremely skilful
in manoeuvring economic change. We argue that despite these dynamics of a large democracy, it is not impossible for the ruling political group to keep its policy direction and broad objectives of supporting reform affected groups. Except for some policies, the ruling political group had not taken the effort to come out with a phased, short and long term plan with safety nets, new rules and time for changes and defaulted in keeping to its objective of industrial growth and social welfare. Below, we look at some examples of problems arising from an unplanned liberalisation process specifically in the area of industrial production and employment.

The Manufacturing Sector

The spurt of growth with the introduction of the economic reforms was quite short lived. However optimistic they may have been, Indian economists and politicians cannot have been unaware of this course of events, as it has been played out in many other parts of the world. The financial sector, de-licensing, and the opening up of trade were one of the first deregulatory actions to be undertaken. In a matter of time there were a shocking number of scams, corruption and irregular activities. This forced the government and authorities like the Stock Exchange Board to frame new rules. The Bombay Club or business houses based in Mumbai appealed to the government for a ‘level playing field’ or against unequal rules for access to credit for foreign and Indian companies.

In the industrial sector, licensing procedures were removed with the assumption that it would give a boost to economic growth, increase industrial production, attract foreign investments and raise government revenues through privatisation, disinvestments and reduction of state expenses. Indian industry was not picking up and there was a qualitative change in the nature of employment. Mani (1998) has compared data on the growth performance of the manufacturing sector before and after the reforms i.e. 1985 to 1990 or the pre reform period and 1991 to 1997 or the post reform period. He finds that though there were yearly variations, the rate of growth of the manufacturing sector declined by about 2.5 per cent points. The capital goods sector saw a decline compared to the reasonable growth rate for 1994 (48 %) and 1995 (31.5%). Das (quoted in Kumar, 2000) found that the productivity performance worsened in the 1990s as compared to the 1980s. It was hoped that liberalisation would encourage new firms to enter the
market. However, the combined average concentration levels for 250 industries had not declined, rather there had been a marginal increase from 68.5 (for the pre reform period) to 69.3 (for the post reform period).\(^9\) Mani (ibid) has shown that the contradictory nature of government policy, which removed barrier to licensing but erected a capital barrier in the form of the minimum economic scale policy in 1995. It meant existing enterprises could expand but new ones were prevented from entering.

A number of weaknesses of the Indian corporations surfaced. Having emerged from a 'protected' era, manufacturers found it tough to compete with low priced and higher quality foreign goods. Earlier restrictions of size and output had left them behind and unsynchronised with global trends. Thirdly, each business house had a variety of productions and businesses and had not concentrated on a product line. Small and medium companies also suffered as subsidised credit was phased out and it was difficult for them to tap the financial market and survive in the face of larger entities.

The incoming foreign multinational companies took full advantage of this situation. Khanna (1997) has tabulated the numbers of mergers, takeovers etc. by Indian and foreign companies through print media announcements in the absence of official data. From 30-35 mergers in the late 1980s, it has moved to 430 mergers in 1995 and further to 552 in 1997. Acquisitions, from a mere 2-3 a year before 1991, rose to 280 in 1997. Multinationals have used the route of acquisitions to buy company shares as an entry point and then increase their equity share to gain control. Acquisition gives companies quick access to manufacturing, marketing and distribution (Basant, 2000). Suzuki raised their stakes in the joint venture of Maruti Suzuki and took over management. Coca Cola was able to buy out Thums Up, a lucrative indigenous beverage company and acquire their huge share of the market. Mergers were generally horizontal in nature, which implies that firms were consolidating in a few chosen areas or product line. The Indian industrial scene was witnessing a massive turmoil of restructuring, consolidation and outright sales. In response to the protests from the industrial sector, a 'take over code' was drafted which disallowed take over bids which reduced competition. This was difficult to prove (Economic Times, 26-9-96).

There was a larger turmoil in the small-scale sector. Specific post Independence policies like establishing industrial estates, discriminatory
excise duties, product subsidies, input quotas, reservation for manufacturing and marketing and technical support helped small producers especially the traditional crafts. In terms of growth, the small-scale sector policy was successful. By the end of the 1980s, it was the most prominent sector for the generation of employment after agriculture. It accounted for 35 per cent of the gross value of output in the manufacturing sector and over 40 per cent of the total exports (Balasubrahmanya, 1998). The assumption that the sector would grow, modernise and merge with the Formal Sector proved wrong. Rather, the Formal Sector turned it into its backyard. It was financially counterproductive for units in the Informal Sector to expand, and improve their levels of technology, production techniques and designs.

Liberalisation meant exposing the sector to competition, which it could scarcely handle. The government did come out with a new Small Scale Industrial Policy in August 1991 bringing in a shift from subsidised credit to the availability of credit but with no reference to the problems arising out of competition. The toy industry as we shall see in Chapter 5 was all but decimated with the inflow of cheaper foreign goods and the establishment of collaborations of Indian with foreign companies. Parathasarthy (1996) gives two examples of free exports increasing the prices of raw material, which had to be borne by the weavers in Andhra Pradesh and Tamilnadu resulting in stoppage of production, starvation deaths and poverty.

Most of the industrial belts or areas housing small-scale units have become ghost towns as orders for manufacturing dwindled. Bhiwandi in Maharashtra had seen the closure of five lakh power looms in just a six-month period with an estimated 2.5 lakh workers laid off. Outside of Mumbai, the Thane-Belapur industrial belt was a beehive of manufacturing units employing thousands of workers. In 1998, an estimated 750 out of 1800 units had shut down and over 50,000 workers had lost their jobs. Said one manufacturer, 'While I charged Rs. 140 for my product, China offered it for Rs. 95. My orders dried up' (Times of India, 15-11-98).

It would be easy to dismiss the cries of the Bombay Club as those wanting to retain a protectionist policy. But the appeal for a level playing field could also be interpreted as a need for a studied and planned response by the government to prevent irregularities and prevent human tragedy. The example of the Chinese invasion of cheap goods is revealing. In a matter of a month (December, 2000) Chinese
goods like battery cells, calculators, tyres and bicycles flooded the market. The Federation of Indian Chambers of Industry and Commerce (FICCI) set up a task force, submitted a report and sent a delegation to the government as it was affecting sales and closing down manufacturing units. Caught in a dilemma between its commitment to liberalisation and pressure from the manufacturers lobby, the ministry continued to withdraw restrictions on imports and at the same time slapped duties, put 45 items on the watch list, etc which did not amount to much.

The Workforce

It was hoped that the new economic policies would generate new employment but in fact it had created a situation of ‘jobless growth’ or a slowdown in the rate of employment and a reallocation from the Formal to the Informal Sector. Studies found the rate of growth of the workforce, from 1993 to 1999, was lower than the rate of growth of the population (Sundaram, 2001). He further qualified that there was a decline in work participation over time in the worker population ratios (for rural and urban, men and women) in the open-ended age group from 1983 to 2000. In the case of urban women, there was a sharp decline in the age group 30 to 34 years for the same period. The growth of the female employment was slower than that of the female labour force while the two growth rates were equal in the case of men. So the effective unemployment rate remained more or less the same for men but increased for women.

There was practically no new generation of jobs. In the Formal Sector, the Public Sector has been the main generator of employment as it provides jobs to 2 1/2 times more persons than jobs provided by the private non-agricultural units of 10 or more workers. It also provides jobs, which are secure, with better work conditions and wages. The Union Labour Ministry found that there was a decline in the annual growth of labour in the Public Sector from 1.68 per cent annually during the 1980s to 0.82 per cent during the 1990s. There was a net reduction by 6,00,000 jobs. This reflects the general crisis in Public Sector units. Out of a total of about 244 units, 98 are severely loss making and 58 are chronically sick. The private sector was not faring any better. The Centre for Monitoring Indian Economy (June 1998) notes that private sector employment had been fluctuating between 7.7 million to 8.1 million from 1990 to 1994. The manufacturing
sector compared to the other sectors suffered a serious decline from a share of 35 workers per 1000 in 1961 to 26 per 1000 in 2000 (ibid).

Women have been provided with better employment opportunities in the public sector than the private sector. Women had a share of 62 per cent in the public and 38 per cent in the private sector but men occupied 73 per cent and 27 per cent of the jobs respectively. The male/female ratio was more adverse in the public sector i.e. there were 7 times more men than women whilst in the private sector there were 4 times more men than women (Srivastava, 1996). The Report of the Working Group on Women's Development for the Ninth Five Year Plan expects that with structural adjustment and liberalisation, public sector employment would slow down for women.

It is unlikely that women will be absorbed in new forms of employment as their share in new recruitment has been low. For the period 1981 to 1993, Srivastava (1996) has computed that for every 100 employees recruited in the tertiary sector 68 were men and 32 were women; for the secondary sector it was 82 men and 18 women and for the primary sector 85 men to every 15 women. More women will join the already large group of women in the Informal Sector.

As the decline in Formal Sector employment growth was not reflected in the open unemployment rates, it can be said that labour had been absorbed in agriculture and the Informal Sector. Employment in the Informal Sector not only increased, but also was such as to reverse the declining trend from 1978-1983.

Table 3.1: Growth in Formal and Informal Sector Employment, 1973 to 1994

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (Formal Sector)</td>
<td>2.30</td>
<td>2.08</td>
<td>-0.09</td>
<td>0.40</td>
</tr>
<tr>
<td>All Sectors (Informal Sector)</td>
<td>2.74</td>
<td>2.12</td>
<td>1.59</td>
<td>2.40</td>
</tr>
</tbody>
</table>


There has been a distinct shift in the structure of employment in favour of casual wage employment in rural and urban areas. Men have moved from self employment and regular wage work to casual work. And women have shifted from self employment to casual and regular
work (Sharma and Mamgain, 2001). Deshpande and Deshpande (1998) have tried to capture the casual and intermittent work through the weekly status participation surveyed by the 50th Round of the National Sample Survey. In 1993-94, the number of urban male and female casual workers had increased. The share of casual workers amongst men increased in seven and that of women in six of ten industries. The daily wage earnings of the causal workers increased faster than those of the regular waged workers in the urban economy.

The majority of women workers are in the Informal Sector where they seem to be loosing ground. This trend becomes alive through the reading of micro studies and reports of trade unions and grass roots organisations. Nayak (1990) has shown the rising anger and the subsequent involvement of fisherwomen in trade union activity as it became increasingly difficult for them to procure and market fish faced with the competition from big trawlers, larger catches and more capital. Many older fisherwomen are unemployed and younger ones are forced to seek employment in fish processing plants, which are known for low wages, poor work conditions and irregular work. A survey of the Informal Sector in Ahmedabad revealed an increase in non-wage employment of workers operating at low levels of capital. Women in particular worked with very low levels of capital and obtained some of the lowest incomes (Unni and Rani, 1999). Using the 45th and 51st Round of the National Sample Survey, Lalitha (1999) shows that, with the backdrop of a declining growth rate of employment in the unorganised manufacturing sector, women who accounted for 33 per cent in 1989-90 decreased to 31 per cent in 1994-95.

Behind the declining ratios and percentages are the majority of the country's workers caught in a rapidly changing and insecure labour market. Industrial growth was not picking up and firms wanting to restructure or close down used indirect and illegal means to escape protective labour legislation. The Sick Industrial Companies (Special Provisions) Act, 1985, requires firms to apply for government permission to close down and the Industrial Disputes Act, 1947, to lay off workers. The charge was that the permission was hardly ever given. Venkata Ratnam (2000) found that, during 1991-95, the central government more than the state governments was inclined to give permission. Maharashtra had not submitted information. But in Tamil Nadu, another industrialised state, 35 per cent of the permissions were in favour of the employers, 53 per cent in favour of the workers.
and some 11 per cent cases were pending. However the procedure and
time taken was lengthy and tedious. Several firms, unable to compete
in the market and wanting a short cut out of legalities, often used the
mechanism of a lock out to close down. After declaring a lock out,
firms stopped production and closed down the premises. Without
jobs and salaries, workers questioned the legality of lockouts in court.
In spite of favourable judgments, firms have failed to pay workers their
dues. The case of the shoe manufacturer Carona is typical. Locked out
in 1997, the workers waited for three years for a judgement only to
receive salary cheques, which bounced. This amounts to contempt of
court and imprisonment but the government took no steps to deal
with such firms. Workers complained that in case of a sale of a firm's
assets, creditors and institutions claimed their dues first (*Times of India*,
12-8-2000).

Many firms have been relocating to rural and other areas to avail of
tax subsidies and lower infrastructure costs. Between 1980 and 1993,
Murphy had moved all its units out of cities. For the same period,
Rallifan and Hindustan Lever (detergent) had moved 50 per cent of
its units to other parts of the country. Subcontracting of parts or the
whole product by large firms to smaller ones proved to be profitable.
Firms like Aristocrat and Godrej have subcontracted their products to
other firms and handle only the marketing of products under their
brand name. Sometimes firms used several strategies at the same time.
Hindustan Ciba Greigy shut down its Bhandup unit in Maharashtra
by offering a Voluntary Retirement Scheme (VRS) to its 1000
employees as it wanted to shift to a backward area and start a new
plant with fewer workers (Dhal and Srivastava, 2000). Firms wanting
to restructure often bypassed the stringent provisions for retrenchment
of workers in the Industrial Dispute Act, 1947, by offering voluntary
retirement schemes.

‘The VRS is like a virus which is spreading like wildfire. It has
gulped industries, service establishments, big and small, private and
public sectors,’ said the director of a labour studies institute on the
basis of their study of 180 firms (*Times of India*, 26-10-01). Some
firms like banks offered attractive compensation packets but industrial
firms have not been so generous nor have their offers been ‘voluntary’.
In the 1980s, Premier Automobiles kept increasing workers’ incentive
and consumption payments whilst keeping their basic salaries at a low
level. When production dropped in the 1990s, it led to a sharp decline
in the workers’ take home wage, thus making them more amenable to accepting VRS. Within an hour after VRS was announced, 3000 workers resigned from their jobs (Kumar, 2000). In public sector firms, there is a hesitancy to retrench workers, they have spent Rs 2391 crores as expenditure for VRS. The main problem with VRS is that there are very few opportunities for re-employment. This has given rise to a group of ‘new poor’ or displaced workers who have from the Formal Sector joined the Informal one as casual workers with a lower income level (Sharma & Mamgain, 2001).

Workers fear takeovers, mergers by larger firms and privatisation of public sector firms as it inevitably leads to retrenchment. After the privatisation of Modern Foods, its new owner, Hindustan Lever, had announced that no workers would be retrenched and that the plant would be modernised. But the track record of the firm belies such promises. In the past few years about 15,000 workers have been laid off and plants shut down after take over or acquisitions by Levers. As mentioned earlier, the take over firms, usually foreign ones, acquired smaller or Indian ones to get their market share to establish their own brand and perhaps to acquire land for development and equipment to be used by contract workers for surplus orders (Times of India, 20-1-2000).

The systematic strategies on the part of firms to side step labour laws and labour militancy from the late 1980s began to bear results in the post liberalisation period because of a change in the State’s attitude towards employers”, the decline of the trade union movement and the looming spectre of unemployment. The trade union movement in India and especially in Mumbai has been loosing its hold and popularity in the past two decades. The city has had a proliferation of independent unionists like Dr. Dutta Samant, maverick unions, which are run as profitable small enterprises and rightist unions like the Shiv Sena ones. This proliferation of unions has given workers a choice but also led to management playing one union off against the other and an increase in violence. Unions and workers have become cautious after the historic defeat of the prolonged textile workers struggle in Mumbai in 1982 and in the climate of changing management strategies of restructuring, closures, lockouts and VRS. Many have returned to plant based unions and try to avoid long drawn out struggles in favour of pressure tactics like mass casual leave, work to rule or a symbolic one day strike. The
fall in strikes and lockouts in the country and especially in Maharashtra is significant.

Table 3.2: Man-days Lost in Strikes and Lockouts

<table>
<thead>
<tr>
<th>Year</th>
<th>All States</th>
<th>Maharashtra</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-1991</td>
<td>79.14</td>
<td>6.31</td>
</tr>
<tr>
<td></td>
<td>106.09</td>
<td>20.07</td>
</tr>
<tr>
<td></td>
<td>total</td>
<td>185.23</td>
</tr>
<tr>
<td>1992-1997</td>
<td>47.23</td>
<td>3.40</td>
</tr>
<tr>
<td></td>
<td>78.86</td>
<td>9.81</td>
</tr>
<tr>
<td></td>
<td>total</td>
<td>126.09</td>
</tr>
</tbody>
</table>


Implementation On Hold

The priority and speed, which the government had demonstrated in liberalising the financial, trade and industrial sector, was conspicuously absent in the public sector. India Today (24-1-2000) listed a number of measures, which could have been taken by the government in the wake of the reforms, but because of political expediencies and indecision, had not been taken. One of the ways to bring down the fiscal deficit was through disinvestments. Only 134 public sector units (PSUs) out of 240 show profits. But the recommendations of the Disinvestment Commission remain on paper. In the case of Air India, internal wrangling between politicians and bureaucrats discouraged Singapore Airlines from bidding for part ownership. In spite of the information technology boom, the government had withdrawn the Computer Maintenance Company from the list of companies for disinvestment. The nationalised banking sector has been consistently loosing money over the years. Its amount of ‘non performing assets’ are mainly unrecovered loans from the corporate sector, which have been estimated to exceed Rs 5000 crores. In the power sector, only 3 of the 17 state electricity boards deliver the prescribed rate of return of 3 per cent. Over a fifth of power generation is lost in transmission, distribution or pilferage. Subsidies to the domestic and agricultural sector are huge. Private and foreign power companies signed hundred and ninety-six memorandums of understanding but only two took off.
Divestment of share holdings in specified industries has been used to raise revenue rather than increase performance in terms of output and efficiency through better management and restructuring policies. In fact, according to Mani (1998) the performance of some of the divested enterprises has actually deteriorated. Some of the provisions of the Sick Industries Companies (Special Provisions) 1985 were amended in 1991 to extend it to government companies. Not a single unit has been closed down because of legal proceedings. In 2001, the government once again put forward a proposal for the repeal of the Act and to establish an Insolvency Fund for sick companies. The new act will cut down the time period for shutting factories and provide interim payment to workers during the closing procedures.

In March 2001, the finance minister announced changes in the Industrial Disputes Act, 1947. Government permission for retrenchment would be required only for large industrial houses employing over 1000 workers instead of the existing ceiling of a 100 workers. Going by the Annual Survey of Industries data, 85 per cent of units would go out of the purview of the Act. This would mean flexibility for most units, which have never been able to get permission to retrench staff. The units will, however, have to pay a larger share of separation compensation. But these provisions are only applicable to the small private sector with the public sector falling out of its purview (Economic Times, 6-3-01). The finance minister also proposed legislation to facilitate outsourcing of production and contract appointments. A bill has already been placed in Parliament to restrict the formation of trade unions to 10 per cent of the workforce instead of the present requirement of eight persons. In September 2001 the repeal of the Sick Industrial Companies (Special Provisions) Act, 1985, and insolvency fund was approved. If passed by the Parliament, it should cut down the tedious process of closing sick companies. The other non-implemented areas, which are not even being debated, are water, electricity and fertiliser subsidies given to rich farmers, downsizing state bureaucratic employment and the privatisation of public sector units. These well-organised sections have been able to prevent any dialogue and planning on part of the politicians.
THE SOCIAL SECTOR

Since the 1960s there has been an ongoing debate on economic and social development. Politicians and policy documents emphasised the importance of social development then as they do now and the unfortunate divide between the two still continues. The general belief that economic development will lead to social change can be erroneous especially in the Indian situation with a low rate of growth. Sen and Dreze state that, 'The lessons of economic and social growth across the world over the last few decades have forcefully drawn attention to the instrumental importance of education, health and other features of the quality of human life in generating fast and shared economic growth' (1996: 28). In the late 1980s, the IMF and World Bank combine were pressurised by the United Nations and concerned economists to implement structural adjustment programs with a 'human face' or to include social development in its agenda. This persistent dilemma still haunts planners and policy makers. The lament of the founder chairperson of the Central Social Welfare Board and member of the Planning Commission that India does not have a clear national social policy with a phased program for reaching the goal of a comprehensive system of social security, is as relevant today as it was in 1963 (Sujaya, 2002).

This does not meant that there was no planning or progress in social development in the past 50 years. Life expectancy at birth has doubled, infant mortality has decreased and literacy rates have gone up. Notable progress had been made in providing housing, supplying electricity and drinking water. But this progress becomes virtually nullified by the magnitude of the backlog or what remains to be done. The United Nation's Human Development Report (1999) had placed India 132nd from amongst 172 countries. The level of human deprivation was high at 35.9 per cent of the population. Almost half the population was below the poverty line and illiterate. Islands of decent housing, amenities, and health, education and food provisions existed in a sea of sub human, depressing conditions.

Compared to other Asian countries, India's social expenditure appears adequate but given the nature and backlog of its problems, it should be higher and consistent. At least five per cent of a regional state's GDP needed to be spent on education every year for the next five years to achieve universal primary education (Prabhu, 1999).
comparison of the Plan outlay on social services as a whole in the pre liberalisation period or the sixth and seventh Five Year Plans and the eighth Five Year Plan or the post liberalisation period showed that plan expenditures, development and capital expenditures had declined. Actual expenditure for both periods also declined. The plan and non-plan expenditures on the social sector as a whole by the states for both periods had declined. The share of total developmental expenditure declined from 69 per cent to about 62 per cent. The share of social services in revenue expenditures declined from about 39 per cent to about 36 per cent. The states social service plans also suffer when the central government reduces the flow of funds to centrally sponsored schemes (CSS). For example, the share of education under the CSS expenditure declined from 12 per cent in 1991 to 8 per cent in 1997 (Panchmukhi, 2000).

The ruling politicians were faced with the dilemma of affirming social welfare for the poor and yet implementing liberalisation policies that restricted the government from collecting revenues through direct and indirect taxation, duties and tolls. Devaluation of the rupee has meant that imports of books for libraries, equipment and skills have become more costly. Deregulation of the market has liberated the manufacturers to set their own pricing e.g. drug prices shot up. Such changes cannot but have a direct impact on the plan outlays, provision of subsidies and the establishment and maintenance of infrastructure.

**Education**

Both the central and the state governments have cut down expenditure on education. There has been a decline from 3.6 per cent of GDP in 1992 to 3.4 per cent in 1996. This has resulted in a drop in the per student expenditure on primary education from Rs 494 in 1991 to Rs 492 in 1995 and a downward trend in the growth of university education. Capital expenditures on school buildings and other assets declined (ibid). The results on the availability and quality of education at the grass roots have been mixed. The NSSO 47th round showed that 33 per cent of villages did not have a primary school in the village area. Its 50th round showed that out of 185 million children in the age group of 5 to 14 years, nearly 58 million or one third were not in school. There was only one girl student for every three enrolled boys in school, which means a swifter pull out rate for girls. India has the highest out of school population in the world.
Parents are more inclined to send children to school because of the availability of free education and the aspiration for their children to at least not be a ‘angusha chaap’ or be literate enough to sign one’s name. People are faced with three main problems: the availability of schools, the cost and the quality of education. In Mumbai, for 95,00,000 primary school going children there are only 1273 municipal schools (1995). In rural areas, it is common for children to trek a few kilometres to school everyday. One adult is required to ferry children through city traffic or lonely stretches to school and back. Even though education is free, parents have to bear the costs of uniforms, books and shoes. The NCAER noted that for Maharashtrian lower income households the expenditure on primary education was close to Rs 309 per student per year. One of the interviewed women, Latabai said, ‘Education is important. When there are so many people looking for work, a certificate gives you an edge. Until class seven, we need to spend at least Rs 300 per year. Then in the higher classes, they ask for Rs 800. None of our children have gone to college but I heard that it requires at least Rs 3000’.

The vice principal of a college of social work said, ‘People including poor people are very aware that their children should be educated. We no longer have to propagate it. They are now looking for better education. Earlier, they would not want to spend even Rs 5, now they are willing to spend Rs 30 to 40 for a balwadi (nursery). Education is being viewed as an ‘investment’ (personal interview). Prabhu’s (1999) case studies in five villages in Maharashtra and Tamilnadu showed the poor quality of services. A typical school had a one-room structure with one table, chair and blackboard. Two teachers taught different classes at either end of the room. Attendance in government schools was high in the absence of private schools. With an increase in income, households tended to move their children to private schools. Poorer households valued the free provision of food, uniforms and books over the quality of education.

Banerjee (2000) refutes the argument that economic reasons keep children away from school. The 50th round of the NSSO showed that one per cent of the five to nine age group were working; whilst 15 per cent boys and 18 per cent girls were ‘nowhere’ children i.e. neither in school nor at work. Her field studies in two slums of Mumbai and Delhi showed that schools had dramatically increased their enrolment but could not retain or adequately educate children. Schools were not
expanding with the population leading to overcrowding. A National Centre for Education and Research Trust survey showed that four in five teachers failed fifth standard tests in arithmetic and two in three could not correctly give a title to a paragraph (Times of India, 24-9-96). Educationists have recommended that instead of reducing, the government should increase the allocation for education to six per cent in the Ninth Plan and restructure the program to plug leakages and corruption.

**Health Care**

The First Five Year Plan gave a generous 3.3 per cent allocation to realise the State's objective of providing affordable access to health services for all citizens. In 1983, it came up with the National Health Policy and the goal of Health for All by 2000. Heavy investment was made in establishing an infrastructure for primary health care all over the country. This objective was achieved through the 1980s. After that there was a gradual decline in investment in subsequent Plan allocations. From the 6th to the 8th Five Year Plan, there was a reduction from 2 per cent to 1.75 per cent for medical and public health. A break up of this reduced allocation showed that the major part or 62 per cent was absorbed by staff costs, about 20 per cent by maintenance, 7 per cent by capital investment and 11 per cent was given to local bodies. Purchase of equipment, maintenance of infrastructure and local programs suffered (Raghuram and Ray, 1999).

Another major change has been in the nature of external funding which has shifted from bilateral to multilateral agencies like the World Bank and IMF. The former has a 65 per cent share of the total foreign funding to the health sector. Many of the funding agencies have their own priorities. Malaria and TB, the biggest killers in India have been neglected in favour of HIV/Aids or birth control.

The general assumption that poor people will prefer to use free public services has been proven wrong. Statistical data from sources like the NSSO and micro studies reveal that there has always been an inclination to use the private sector's facilities. Cuts in allocations for infrastructure of the public health system has further accentuated this tendency. In rural India, the share of the public sector health care system was 25.6 per cent in 1986 and declined to 19 per cent in 1995. In urban areas, for the same time period, it declined from 27.2 per cent to 19 per cent. The private sector has dominated with about
75 per cent of the health market share. According to the NSSO data, the usage of hospitals went down from the mid 1980s to the mid 1990s (Iyer and Sen, 2000). This general decline in the use of public hospitals can be attributed to cuts in allocations. In his study, Duggal (quoted in Iyer and Sen) has shown a positive co-relation between higher investments in health facilities and a better utilisation of the health system.

The city of Mumbai showcases all these developments. The population of Mumbai has been expanding but the state health services are almost static whilst the numbers of private doctors, hospitals and nursing homes have increased. In 1996, in Mumbai city, there were 6 teaching hospitals, 15 peripheral hospitals, 26 maternity homes, 159 dispensaries and 176 health posts operated by the municipal authorities for a population of above 10 million people. One third of these governmental facilities are concentrated in South Bombay and the suburbs suffer tremendously from lack of adequate facilities (Nandraj et al, 1998). Municipal officials claim that there has been an increase in the health budget but the allocations are for teaching colleges and on establishment and administrative costs. Allocations for medicines and setting up new dispensaries are declining. Between 1989-1994 the expenditure on medicines in dispensaries had been reduced by half from 23.49 per cent to 12.74 per cent. On the other hand, private health services were growing rapidly especially in the suburban areas. It was estimated that about 900 private hospitals exist in the city (High Court appointed committee) and there are about 14,000 doctors in private practice. These private hospitals and nursing homes have no regulatory body to decide on rates and other medical standards. Apanalaya, an NGO working in Shivajinagar, Govandi did a random survey and counted about 450 doctors in the areas out of which only 10 per cent had medical college degrees (Personal Interview).

Prabhu's (1999) rural case studies state that distance, quality of services and cost played an important and inter-related role in utilisation. Villagers used the primary health centres for fevers and minor illnesses. They also choose to go to the taluka hospital or primary health centre rather than their closest one with the hope of receiving better service. Regardless of their income levels, people on the whole opted for private over public health services because of inadequate supplies, shortage of water, and the irregular attendance of the staff.
Between the mid 1980s to the mid 1990s, the cost of in-patient and outpatient care had risen steeply. The average cost of public outpatient care rose by 77 per cent in rural and 124 per cent in urban areas. Outpatients in private care paid 142 per cent in rural areas and 150 per cent more in urban areas. The private/public ratio had jumped from 1.08 to 1.20. One of the major contributors to this steep price rise was the price of drugs. There has been a progressive liberalisation of the drug control order under pressure from pharmaceutical companies. In 1978, there were 347 drugs whose prices were controlled and by 1995, the list had come down to 76. The hidden costs of obtaining health services also include loss of wages of the sick person and a helper or family member, cost of travelling and perhaps accommodation and food. An additional cost will be user fees, which have already been introduced in selected hospitals. The State Health Systems Development Project is testing out the World Bank's prescription of involvement of NGOs in primary health care and of levying 'user fees' in three major states. Collection of such fees is targeted at 15 to 20 per cent of the total incurring costs, which at present are less than 4 per cent (Raghuram and Ray, 1999).

NSSO data of 1998 shows that cost was the prominent reason given for not taking treatment. From 15 per cent, in 1986, the number of respondents giving cost as reason for not seeking medical help, went up to 25 per cent in 1995 for rural areas and from 10 per cent to 20 per cent in urban areas (Iyer and Sen, 2000). The obvious consequence of escalating health costs would be untreated sickness. But the rate of untreated illness, from 1986 to 1995, went down by six per cent for rural males and by eight per cent for urban males and seven per cent and 18 per cent for rural and urban women. Even though these figures have been disputed, they do show that a large number of people desired and were seeking treatment in spite of the high costs. Micro studies have shown that people are liable to enter a 'medical debt trap' or take loans or save money by cutting on food consumption, accepting any kind of employment regardless of hazards and/or overworking themselves. All of which will either push them into poverty or poorer health conditions (Nandraj et al, 1998).

Health activists (ibid) fear that these cuts in allocations and the shifts in its programs are perhaps the first signs of the State's withdrawal from providing health services and towards the process of privatisation.
Food Security

The objective of the public distribution system (PDS) was two fold, i.e. to provide the poor with subsidised food grains and to control price fluctuations. It made available a fixed quota of food grains through rations or fair price shops. Any person or family proving domicile could procure a ‘ration’ card and get a quota of wheat, rice, oil, sugar, kerosene and pulses. There were long queues at ration shops, subsidised food grains leaked into the open market and sometimes the fixed quota did not reach the shops but it was the only program which provided low quality and low priced essentials to the poor. It came to be viewed more as an anti poverty program. Since 1991, the government has been continually highlighting the issue of the huge deficit incurred by the PDS program. The Economic Survey (1992-93) stated that ‘while the public distribution system has to be continued to help the poor, the burden of subsidy has also to be restrained’ (GOI, 1993: 92). In order to do this, the government has chosen to restructure the program by a number of measures.

The government had moved from a universal to a revamped and later a targeted PDS. In 1992, the revamped PDS was introduced to improve access of poor households to the PDS and strengthen the delivery system in backward areas or difficult areas like drought prone, desert, hilly and tribal ones. In operationalising it, Maharashtra reduced the quantity from 10 kilograms of grains per adult per month to 20 kilograms per household per month regardless of size. The Economic Survey of Maharashtra records the decline in the purchases of rice and wheat as a result of lower entitlements and higher prices (Swaminathan, 1996). Under the new Targeted PDS (TDPS) scheme, the states were required to identify families below the poverty line and provide them with 20 kilograms of food grains per family per month at 50 per cent of the Food Corporation of India’s economic cost. The Centre would supply food grains but the states were free to increase the subsidy at their own cost (Jha and Srinivasan, 2001).

From 1991 to 1994, the government revised the prices of commodities. There has been a steep increase in prices even as the open market prices increased. In Maharashtra the PDS price of the common variety of rice increased by 94 per cent and that of wheat by 85 per cent, which was higher than the cumulative increase in consumer index prices (Swaminathan, 1996). This price rise virtually wiped out
or substantially narrowed down the price difference between commodities in the PDS and open market.

Another measure was the reduction of the quantity of food grains to ration cardholders. The TPDS changed over from a per capita norm to a family norm with the below poverty line households entitled to 20 kilograms per month of grain regardless of their numbers. Data from the Economic Survey 1994-95 showed that the quantities of food grains distributed to the states and people had declined sharply even though the government had large and unused buffer stocks.

Paradoxically the government had raised the funds for the food subsidy. The term 'food subsidy' includes the payments made to the Food Corporation of India (FCI) for the procurement of grain, storage and distribution through the PDS. A break up of the food subsidy shows that producer prices and issue or sales prices had risen but did not have a huge gap, which meant that most of the subsidy was being absorbed by the operational costs of the FCI.

In attempting to restrain the 'burden' of subsidy, the government has been creating serious problems for the entire program. In a situation of mass poverty, insecure employment, low income levels and periodic natural disasters and starvation deaths, the government has to have a program to protect the poor who will be vulnerable to market fluctuations and unable to meet basic food requirements. Shariff (1998) calculated that a minimum wage of about Rs. 50.55 per day was required by an adult male to meet his basic needs or an income of Rs. 18,452 per year for a rural household of three consumer units. Around Rs. 16.85 was required to be spent on food but 90 per cent of the rural population and 60 per cent of the urban population could afford to spend only Rs. 13.28 or less. According to the Planning Commission, 65.8 per cent of people were below the recommended calorie norm of 2,400 in 1987, which increased to 70 per cent in 1993 (Panchmukhi, 2000).

In such a situation of mass poverty, weeding out a small section of better off households can be counter productive when it comes to administrative and social costs. The Maharashtra government had targeted reducing its 1.93 crore ration cardholders to only 60.45 lakhs through targeting. There was uproar when the government attempted to introduce yellow, saffron and white cards according to income levels. The application form required details on land, income and assets which people were unwilling to give to the ration authorities. The Re. 1 form
was being sold surreptitiously at higher rates. And a band of inspectors were meant to perform the difficult task of checking out the details on income of hundreds of households every two to three months (Indian Express, 20-2-99). In 1993, Cornia and Stewart (quoted in Swaminathan, 1996) found in their study of nine developing countries that besides the administrative costs, there were more errors of omission of the poor than the errors made by the inclusion of the non-poor. At present there is no study to gauge the extent of errors of targeting and the large-scale omission of the poor and food insecure persons from the PDS net in India.

Targeting was also meant to prevent leakage of food grains to the non-poor and prevent black-marketing. Jha and Srinivasan (2001) found that the high prices for the above poverty line cardholders and the poor quality of grains reduced the off take of grains and created a huge surplus with the FCI. The off take for the below poverty line cardholders was good but it was not clear whether that was due to purchase by the poor or because of its diversion into the open market. The large price difference between the subsidised grains and the open market grains was enough incentive for leakage and corruption.

There were ironic contradictions in the government's restructuring measures. The sale prices of commodities in the PDS had been gradually but sharply increased. Individual entitlements had been decreased. The food subsidy allocations had gone up. And what had left the government acutely uncomfortable was the paradoxical situation of large food stocks and public interest litigation in the Supreme Court demanding the distribution of excess grains to starvation areas. In 2001, the government had 45.5 million tonnes of food grains or a stock, which was enough to provide 70 kilograms to a person or about one half of an individual's annual cereal requirement (Swaminathan, 2001).

Prabhu's (1999) case studies found that most villages had a ration shop though it may not be open every day. The quota of wheat, rice, sugar and kerosene was higher in Tamilnadu than in Maharashtra. The majority complained that the quality of services had deteriorated between 1991-94. Prabhu confirms the general observation that the below poverty line household purchased a good portion or 16 to 18 per cent of their consumption requirement from the PDS whereas the better off households bought a mere 3 to 5 per cent of their total consumption from it. The NSSO (1986) found that the urban population in the country belonging to the lowest strata purchased
only 20 per cent of its total rice consumption, 17 per cent of wheat and 16 per cent of oil requirements from fair price shops. However, state wise studies have shown that people have made optimal use of the PDS in Tamilnadu, Kerala and Andhra Pradesh i.e. states with a fairly good delivery system. People and women in particular felt that they would prefer to purchase all their requirements from the fair price shop if indeed the price was fair, the grains of reasonable quality and was easily accessible. Without these features, it did not make sense to spend time and energy. A study of 300 households in the Thane area of the city showed that all the working class households purchased only sugar and kerosene from ration shops and the rest was obtained from the open market because of high prices and inconvenience (Mahajan, 1993).

The government had succeeded in not only discouraging the better off households but also the poorer households from utilising the PDS with crippling consequences. Per capita expenditure for all households had steadily declined. An analysis of the consumption expenditure data of the Central Statistical Organisation (Economic Times, 8-2-01) showed that the prices for the overall consumption basket of food and services rose at an annual rate of 8.4 per cent during 1993-94 to 1999-00. In particular food, cereals and bread prices had gone up considerably whilst prices for furniture and household equipment had remained static. What this means in terms of calories has been analysed by the NSSO (1993-94) which finds that the lowest 20 per cent of the population consume 1500 calories of energy per capita per day as opposed to a required average of 2400 calories per day per adult (Shariff and Mallick, 1998).

In its efforts to reduce the expenditure on the PDS, the government has tended to concentrate mainly on the subsidy costs and not the administration costs. The real issue was the cost and quantity of procurement, which is a political decision made by the central government and not the FCI. The government could decentralise its activities by restricting the FCI’s role to price stabilisation and maintaining a buffer stock. It could provide a grant to state governments, which could then purchase and distribute grains in whatever manner they choose (Jha and Srinivasan, 2001). Another recommendation has been to privatisate the distribution of grains, which might help to bring down the market prices.
PLANE OF ILLUSION

Of the four groups of actors i.e. the government affiliated economists, the officials of the World Bank, the new and old industrialists and the ruling politicians, the last group were the main ones, present at every stage of the process of structural adjustment and liberalisation. They used a mix of skilful strategising and manipulation to introduce and continue the reforms with disastrous consequences. There was nothing sudden about the nation’s debt situation as it had been building up over the years. It is true that the crisis was acute but not many alternatives were explored. It was used astutely to bring in reforms as an easy solution to a crisis and simultaneously addressing the fiscal situation, resistance from strong anti World Bank lobbies and criticism from the opposition and pressure groups.

The politicians persisted in presenting the economic reforms as a continuation of the policies of the past with different, new methods, despite the fact that the new economic model was based on a neo liberal, market ideology and was a complete break with the past and a protected, import substitution, closed market model. What were continuous with the past were the repeated pronouncements of Independent India’s broad objectives of economic growth and social development, especially poverty alleviation. It was a form of skilful manipulation based on illusion or a political version of the great Indian rope trick.

It can be argued that this strategy was necessary for political expediency, preserving vote banks and ford deflecting opposition, given the nature of Indian democracy and its different groups and interests. This argument can justify the suddenness of the introduction of reforms but does not explain the repeated usage of this strategy for different stages of implementation. This strategy of bringing in liberalisation through the backdoor was all the more surprising as there were no large-scale protests except by the major trade unions and an appeal by the right wing, Hindu Rashtriya Sewa Sangh of urging the people to buy *swadeshi* or Indian goods. Many of the powerful lobbies, the middle class and the poor, for different reasons, were willing to give change a chance. Nevertheless the political groups were more comfortable with the older vision associated with Nehru and Gandhi than risk putting forward a neo liberal, ‘trickle down’ theory which held out neither a promise of rapid growth nor a populist slogan for poverty reduction.
This strategy resulted in the introduction of a series of measures with unfortunate results. It led the ruling politicians to forgo the most basic requirement of democratic functioning i.e. debate and analysis. Having avoided the formulation and articulation of a vision for an alternative development model, there was no possibility of learning from the older model. The new reforms could not organically develop from the old, without understanding its failures and possible lessons for the future. At the public level (or the plane of illusion), there were pronouncements on ‘India’s sovereign response’ to the changing international scenario of globalisation (Times of India, 15-4-2000), but no mention of what it was and how it would avoid the mistakes of some of the Latin American and African countries. There was little thought given to the new role of the state after a period of heavy state intervention. Nor was there a formulation of short and long term strategies for a transition from a closed to a globalised economy. The consequence was that the ruling political group has come close to jeopardising the broad objectives of economic and social development laid out in the Constitution.

**Industrial Growth without Planning**

In public, each group of politicians had reiterated the twin objectives of industrial growth and poverty alleviation, but it was the industrial sector, which was given priority. The first phase of liberalisation favoured the new industrial class, multinationals, foreign investors and traders. With a speed amazing for Indian politicians, the rules and regulations for the financial, trade and industrial sectors were quickly dismantled. The most affected groups were the small manufacturers and workers. Small entrepreneurship and the small-scale sector could have been less severely affected if the government had planned in consultation with them. The president of the Indian Merchants Chambers said, ‘we should have first liberalised, then modernised and finally globalised. Since we globalised immediately, our small entrepreneurs find themselves hopelessly outpaced’ (Times of India, 15-11-98). Pulling down restrictions does not by itself constitute a proactive policy for rapid industrial restructuring. The nature of the implementation of the liberalisation process shows that politicians have not given much thought to the role of the state and restricted its activities to either dismantling regulations or withdrawing from the public sector. Such a textbook approach in operationalising the main tenets of the neo liberal
economic model has lead to dissatisfaction amongst various groups, hardships for the poor and a stagnant economy.

Studies of changes in East Asian countries have shown that they followed policies of economic and social development with an outlined state interventionist policy for a redistribution of assets, support to the social sector and the fledging new industries. The underlying assumption of their policies was that the state should provide support to those sectors and institutions including the social sector, which will ensure a long-term development. Lipietz's study points out that when a country throws itself open to foreign capital, without preparation to face the competition and rigours of the globalised free market, it creates conditions for 'exclusionary growth' (quoted in Corbridge and Hariss, 2000). Exclusionary growth trajectories create polarisation between the rich and poor, uneven development and environmental degradation and a heavy dependence on mobile, foreign capital.

The ruling politicians' withdrawal and de-restrictions policy has lead to the abandonment of the five-year plans and the lapse of an effective allocation of capital in a capital strapped economy. They have disregarded one of the lessons of the old economic model i.e. that timed government spending in the 1980s was beneficial to growth. The ruling political group have no plans for curbing monopolies, ensuring fair competition or ethical business practices. They have adopted the approach that all government spending should be suspended or seen as against the spirit of liberalisation. Nor have the politicians considered the need of matching major changes in external markets with the existing situation of Indian manufacturers exporting products as well as competing with imported ones. Some of the key areas for such a policy at the micro economic industrial level are support in modernising production, finding niches in product markets, improving the productivity performance of industry, developing means of building vertical and horizontal linkages between firms and sectors, bringing in Japanese techniques of quality and inventory control, and training for workers (Kaplinsky, 1997).

The pro industry and multinational bias of the politicians, once again, becomes evident in its treatment to labour. Politicians have not as yet dismantled labour legislation or the labour courts but have turned a blind eye to the indirect means adopted by firms in shedding its workforce. Voluntary retirement schemes have not been generally
accompanied by training and redeployment. There are hardly any studies on the number and circumstances of workers locked out of factories, without wages or compensation. A study of the textile workers’ shift from the Formal to the Informal Sector showed their acute mental and economic trauma with a fall in their standard of living (Bhowmik and More, 2001). Women have been more severely affected by the slowdown as gender prejudice intervenes in blocking new jobs or skill training. Yet, the central and the state government are intent on revising the two protective labour laws. This full steam ahead approach of the government of a quick completion of the deregulation of the industrial sector and the correction of ‘rigidities’ of the labour market, in spite of the distress and the non implementation of safety nets, is alarming and quite unwarranted even by the calculations of pro reform organisations. McKinsey and Company, a consultancy, presented an exhaustive study to the government stating that labour rigidities and transport together account for a loss of growth of around 0.3 per cent of the GDP. They recommended that instead of labour law reforms, it should concentrate on land and property problems which would free crores of rupees of dead capital and spur the construction industry to generate 3.2 million new jobs over the next 10 years (Times of India, 7-9-01). The ruling political group realises that trade unions have lost their appeal but has not evolved a mechanism for cooperation between labour and capital. For example, it has not addressed one of the deepest of labour’s fears or retrenchment by implementing a no VRS without re-training program. Nor has it facilitated declining companies so that they will not resort to devious means like lockouts or defrauding workers of their dues.

The Neglect of the Social Sector

The ruling politicians, belonging to the moderate Congress Party and the rightist Bhartiya Janata Party, did not heed the lessons of the East Asian countries or the directives of their own Constitution on the issue of social development. They routinely made public statements against a withdrawal from the social sector but used the strategy of illusionary continuity to the fullest extent in introducing long-term changes. Prime Minister Rao had said, ‘Let the multinationals handle the top sector, we will manage the grassroots.’ (Sunday, 27th March-2nd April 1994) The Planning Commission in its Approach Paper to the Tenth Plan suggested, ‘...this is not to say that the Government has no role to
play or only a minimalist role in promoting development... there are many areas i.e. the social sector, where its role will clearly have to increase’ (Sujaya, 2002:25).

It would have been political hara-kiri for any politician to withdraw social services or privatise them. All of them, regardless of their political ideology, gave great importance to the social sector but their actions and some inaction brought in changes, which have undermined its very foundations and prepared a case, in the future, for its privatisation. Firstly, there was a slow withdrawal of finances. Total social sector allocations had declined from the pre liberalisation to post liberalisation period. As the central government depended on each state's infrastructure, a withdrawal of funds affected implementation and the quality of services. No special attention was given or funds reallocated to improve existing services. At the same time, there was an indirect introduction of fees or a price rise. These two features, poor services and price rise, had driven people away from utilisation of the state’s education, health and subsidised food services. A simple cost benefit calculation would show that the education, health and PDS systems have become white elephants, more for show and without the ability to perform.

The other area of neglect was the inattention paid to India’s human resources. To date there are no policies or time bound programs for ensuring maximum attendance of school and for total literacy, the reduction of child mortality and provision of good basic health facilities, training centres for workers and a functioning food delivery system. At the root of social development is a redistribution of assets. The present group of politicians have not learnt from the past mistakes and successes of the land and economic reforms to formulate new policies. Instead they continue to use direct measures like subsidies, job reservations and employment schemes though The better castes or class siphon off most of the benefits and a mere 15 paisa of every rupee spent on poverty programs reaches the poor (Economic Times, 12-12-96). Such direct measures are the favourite gestures of politicians especially during electoral campaigns. Voters can identity them with particular parties and derive short-term benefits. Whereas indirect measures¹⁴ are less spectacular and tediously long like accelerating growth and productivity.

Through the years, the politicians had done nothing to stem the gradual erosion of the legitimacy of the Indian state in the eyes of the people. All institutions, except some parts of the Judiciary, are riddled
with corruption. India ranks 72 in the corruption index according to the Transparency International (Economic Times, 4-2-02). In the urgency to establish the liberalisation process, state officials and the political group are unconcerned about the functioning of the state machinery with the result that democratic processes and institutions have been further weakened. The numbers of high-level corruption charges in the financial sector have increased since liberalisation. The landed and industrial class have found ways of protecting their interests. For example, there is a private army sponsored by landlords in many parts of Uttar Pradesh. A popular modern saying goes like this – it takes money or votes to move a ‘public servant’. How can an unemployed person or a destitute pay to receive aid from a state poverty alleviation program? The common citizen is not organised and without resources, he/she needs the support of the state to cope with the collective resources of the landed or wealthy or of corrupt officials.

There is no doubt that, after a decade of reforms, the process is now irreversible and subsequent governments will continue to implement them. So far the economic indicators representing the performance of the new reforms have not been good. Leading economists, analysing the Economic Survey (2000-01) reported a bleak picture with a slowdown in the industrial sector, sluggishness in the agricultural sector, low employment rates, and stagnation in the saving and investment rate. On the positive side, the foreign exchange reserves position, exports and the inflow of direct foreign investments have improved. But India will have to do much better. There is the real danger of sliding back, going bankrupt and repeating the structural adjustment program. The experiences of Latin America, Philippines and Haiti have shown that popular protests also called IMF riots increase if governments resort to IMF programs too often (Economic Times, 4-2-97).

CONCLUSION

The post Independence government started with clear objectives and the strategy of a closed, ‘mixed’ economy with extensive state intervention, which was maintained till the early 1980s. The first signs of liberalisation or the relaxation of some rules and regulations for industry brought about a rejuvenation of industry, a decline in employment and a fall in the rate of poverty. This silent deregulation
moved towards a full-fledged paradigm shift to a neo liberal market economic model in 1991. The new economic reforms were ushered in suddenly and quickly to tide over the balance of payment crisis. Acceptance of the World Bank loan and its structural adjustment program was seen as a 'no other alternative' situation. At first the moderate Congress Party and then subsequent governments dismantled the earlier economic model by freeing the finance sector, trade and industry of their restrictions in order to join the competitive and globalised market.

There is a large body of 'impact studies' or studies on the consequences of the economic reforms on specific sectors or groups of people. We have referred to these studies as well as other work on the process of liberalisation. The unfolding of the economic reforms, its timing, contents, implementation and the actors involved give us a framework for analysing its impact on the manufacturing sector, employment growth and the functioning of the social sector. Of the four groups involved in the process of liberalisation, the ruling political group have been present at every stage. Having introduced the reforms by surprise at the point of financial crisis, politicians of different hues continued to implement liberalisation by disguising change as continuity in order to deflect opposition from political parties and interest groups.

Industry responded to liberalisation with a spurt in growth, which subsequently fell. A pre and post analysis of the manufacturing sector showed a decline in growth of 2.5 per cent points. New blood was not entering the industrial sector, as concentration levels remained more or less the same. Incoming foreign companies took over many Indian firms for their market share and manufacturing facilities. De-reservation of items and the invasion of Chinese and Taiwanese goods virtually killed off the small-scale sector. Indian corporations went in for massive restructuring to face global competition. This shake-up had an impact on the rate and nature of employment. Economists have called the post liberalisation period one of 'jobless growth'. Though total employment grew slightly, the rate of growth for employment dropped sharply. Secondly, the rate of unemployment had gone up and lastly there was a perceptible shift of workers from the Formal to the Informal Sector. Workers from the Formal Sector were retrenched through voluntary retirement schemes or through the devious means of lockouts.
Social development has taken a back seat, as the political group use rhetoric rather than funds to achieve security for the mass of people. The education, health and food security systems suffer from a lack of resources, poor delivery systems and an inadequate quality of services. In spite of these problems, the ruling political group has attempted to introduce fees or increase prices which has enhanced the rate of non-utilisation by people, thus paving the way for its take over by the private sector.

The pre and post liberalisation analysis of the manufacturing sector, employment growth and social sector show a bleak picture for India's development. Some of the problems of liberalisation can be traced to the nature of implementation of the process. The use of the illusion of continuity when a radical change was being introduced led the political group to ignore public debate and an analysis of the past economic model. Without a vision, a planned strategy and any preparation, India was thrown open to foreign capital. The result was scams, corruption and competition, which Indian firms could not face. In order to turn the process around and not abandon the objectives set by the Constitution of India on social and economic development, the political group will have to reconsider the role of the state and take an active part in planning a sustainable and just development strategy. It will have to reject direct measures like special poverty programs (usually linked to electoral gains) and think in terms of long-term economic and social development.

Endnotes

1 The official body, the Planning Commission, decided the plan outlay according to the economic and political requirements of the period. The specific allocations for agriculture and industry are as follows: the First Plan invested mainly in agriculture; the Second Plan increased its allocation for industry from 7.6 per cent in the first plan to 18.5 per cent. In the Third Plan, mining and industry received 20 per cent whilst agriculture was reduced to 8.8 per cent. The Fourth Plan allocated 21.5 per cent and agriculture received 15.4 per cent. The 5th Plan continued the emphasis on mining and agriculture with 26 per cent. The Sixth Plan reserved the bulk of the allocations for the energy sector because of the oil crisis. Large and medium industry received 13.6 per cent. The Seventh Plan reserved 32.5 per cent for

2 Industrial deregulation was introduced through relaxing the rather stringent and compulsory licensing rules and the reduction from 56 to 25 broad industry groups for non-MRTP and non-FERA enterprises. The lower limit for licensing was increased from Rs 5 crores to Rs 15 crores in non-backward areas and to Rs 50 crores in
backward areas. Only regulated companies needed licenses. Restrictions on large industrial houses, which fell into the category of regulated industries, were relaxed by the change in the definition of a MRTP company. A regulated company was one, which had assets of Rs 100 crores and above as compared to Rs 20 crores earlier. The government exempted MRTP companies in 1985 in 27 industries from seeking special licenses.

3 For an expansion of capacity, the government put forward a modified capacity re-endorsement scheme. It permitted units with 80 per cent capacity utilisation in the past 5 years to re-endorse their licences by raising capacity by one third of the highest production in those years. Around sixty, mainly engineering industries were permitted to expand their capacities, some of them up to 133 per cent of their previous production levels. Modernisation of equipment was allowed without a licence if it increased the capacity of the firm. The government expanded the list of regulated companies to set up capacities.

4 I G Patel's 'Glimpses of Indian Economic Policy: An Insider's View, OUP brings our some interesting anecdotes about the interactions between the political group and economists. Patel was asked by Indira Gandhi to produce a bill to nationalise banks within twenty-four hours. Whilst it is popularly believed that Left and Socialist ideology was dominant amongst the politicians and their advisors, the Bombay Plan prepared by industrialists showed that they too accepted the need for planned development.

5 After the 1991 reforms, industrialists from the older period dubbed by the press media as the 'Bombay Club' gave interviews and made representations to the government for a 'level playing field' giving examples of the unfavourable tax structure and government's favourable attitude towards multinationals.

6 Rao, the prime minister to usher in the new economic reforms said, 'No multinational will build a primary school in India, no foreign investor will set up a health centre. These are jobs for the government. Let the multinationals handle the top sector, we will manage the grassroots. This is the way forward as I see it.' (Sunday, 27th March-2nd April 1994, quoted in Jenkins, 2000) Or refer to the quote from the prime minister's foreword to the Eighth Plan (Subrahmanya, 1994:252).

7 K N Kabra & V Upadhya (1999) state that as a result of the reforms in the capital market like free equity pricing, reduced capital against tax, entry of foreign investors, abolition of capital issue control etc. stock market brokers were able to secure PSU funds illegally to manipulate or start bull runs. A shocking amount of Rs 4024.45 crore was involved. The authors list down a series of financial scams and corruption cases year wise.

8 Sunil Mani's study has relied on market shares data of companies published annually by the Centre for Monitoring Economy. He has confirmed this with the classification and level of disaggregation used by the Annual Survey of Industry. Some 250
industries, which account for nearly 70 per cent of the output of the manufacturing sector as measured by the Index of Industrial Production with 1980-81 as the base.

9 If the data on concentration levels of industrial sectors are classified according to their end use, then capital goods have shown an increase from 76.7 to 79.8 and consumer durable goods from 75.7 to 81.7 whilst there is a decrease for intermediate goods from 82.4 to 80.3 (Mani, 1998).

10 The government made all the right statements. Whilst acknowledging that the government was committed to globalisation, the minister said, ‘...that does not mean we will allow India to become a dumping ground for junk imports. Now can we leave the domestic industry to the mercy of adverse forces.’ Business India - Enter the Chinese Dragon, December, 11-24, 2000: 68

11 Addressing a trade union forum, Prime Minister Vajpayee said that his government was committed to removing labour market rigidities. He said, 'Trade unions movement is standing at the crossroads. At no point in the past has it experienced such intense pressure, both from within and without, to re-examine its role and redefine its stand on various issues concerning labour, employment and the economy.' (Economic Times, 15-4-2000)

12 According to the Annual Survey of Industry 1997-98 there are a total of 1,35,551 units registered with it with a fixed capital of Rs 42,15,220 crores and employing 1.75 crore persons. Once the threshold is raised over 217.75 lakh employees or 54 per cent would automatically go out of the security net. Only 24.6 per cent in large units would enjoy security (Economic Times 6-3-01).

13 The United Nation Development Program report has a human poverty index which takes into account deprivation in three basic dimensions of human life: a long and healthy life, knowledge and economic provisions. Sixteen per cent of the Indian population is not expected to survive beyond 40 years of age. The average is 12 per cent in the medium Human Development Index. Adult illiteracy is 46.5 per cent as against the average of 26 per cent. About 71 per cent have no access to sanitation as against 57 per cent.

14 Professor Ashutosh Varshney of Notre Dame University in his book ‘Why have poor democracies not eliminated poverty’ (Asian Survey 2000) writes that direct attacks on poverty that usually have limited impacts are preferred in democracies rather than long term indirect attacks. Levels of poverty therefore decrease slowly.

15 The Economic Times published the findings of a study done by Juha A Auvinen of the University of Helsinki called IMF Intervention and Political Protest in the Third World: A Conventional Wisdom refined article published in Third World Quarterly, Vol. 17, No 3, 1996. The study established a co-relation between the number of structural adjustment programs and political unrest. The conditionalities in specific were not the reason for riots as much as the deep-rooted economic crisis.