

Understanding Labour Issues In The Indian Economy: Women, Policy Reforms, And Industry

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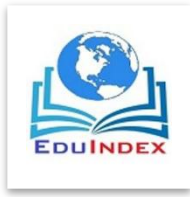
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Abstract

In general, there has been a relative dearth of serious scholarship focusing on the evolution of Indian labour issues in economic, cultural, social and political contexts. The limited work that has been done is scattered and usually in the form of general articles and notes including those by labour economists and industrial relations scholars. The present work is based on a review of statistics, legislation, and multifarious pieces of research exploring the progression of Indian labour issues from the time of independence to the present time. Furthermore, it also examines the degree to which the Indian labour laws, the regulatory system, and institutional framework can be considered to have achieved their two central goals: the protection of labour and the preservation of economic growth.

This paper concludes that deeper, more comprehensive, and multi-faceted research projects are required in multiple contexts – socio-economic, political, and cultural – to gain a



proper understanding of labour issues and potential solutions. In addition, labour protection and the regulatory framework need to be both strengthened and enforced accordingly. Finally, labour protection laws must allow for economic growth, human development, and a better quality of life for both the workforce and society as a whole.

*Keywords:*labour issues, India, socio-economic, industrial relations, industrial laws

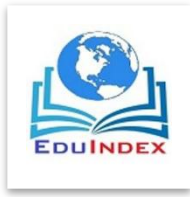
Introduction

Recent accounts of regulatory developments paint a concerning picture of the working conditions for labour in India and other regions. In OECD countries, labour issues such as low wages, job insecurity, dismal working conditions, etc. lead to a decrease in labour productivity, thereby negatively affecting the national output. Although there is a great amount of written material on labour issues and related topics, most of it is about labour social security and labour laws for global economic growth and development. The following paper addresses the major challenges facing India's labour market:

Challenges facing the Indian workforce

Surplus Labour:

In India, the labour market suffers from the surplus labour force because of inadequate demand in all primary, secondary, and tertiary sectors. On account of the high population growth rate, the rate of annual labour influx in the market is soaring high contributing to the dual challenges of employability and job creation. According to a study conducted by the organizational consulting firm Korn Ferry, India is estimated to have a skilled-labour surplus of around 245.3 million workers by the year 2030.



Unskilled labour:

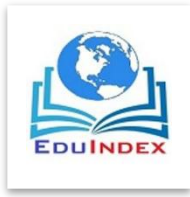
Despite the state's efforts, lack of adequate vocational institutes and continuing education programs make it difficult for the increasing number of country's unskilled labour force to acquire the skills needed to enter the organized sector. According to a report published in Bloomberg Quint, it is becoming increasingly difficult for unskilled workers to get jobs due to the liquidity crunch resulting from the September(2018) IL&FS crisis, which has stalled the recovery of the real estate sector, creating a huge army of unemployed people in the nation.

Lack of absorption of skilled labour:

A shift towards the labour-saving process innovation has led to a low-level of absorption of skilled labour in India. Consequently, an increasing number of freshly educated youth find it difficult to absorb themselves in the secondary sector leading to brain drain and a huge number of educated unemployed people in the country. Chairman of the South Asia Watch on Trade, Economics and Environment (SAWTEE), Posh Raj Pandey noted that maximizing employment, instead of economic growth, should be placed at center-stage in order to solve the problem of labour absorption.

Unhealthy Work culture:

A TimesJobs survey of more than 1000 professionals across different sectors revealed that an unhealthy work culture is one of the most worrisome elements of Indian workplaces. Evidently, Indian workplaces are afflicted with numerous issues such as insane working hours, unclear work roles, lack of accountability, hierarchical forms of behavior, etc. leading to decreased productivity and burning out of employees.



Inadequate Wages:

Wage can be defined as the compensation received for the service provided, whether mental or physical. Although India experienced a real wage growth of 5.5 percent during 2008-2017, highest in South Asia, wage levels for most workers remain inadequate for a decent living. While the wages levels in the unorganized sector are extremely low due to workers having very little bargaining power, women still earn 34 percent less than men on average (albeit down from 48 percent in 1993-94), and the typical rural workers' daily wages are 49 percent lower than their urban counterparts on average. These discrepancies across gender, states, and casual/salaried workers reflect a disproportionately unequal employment landscape across the country.

Militant Unionism:

In certain sectors and states, due to various factors such as deteriorating working conditions, uncontrolled price escalation, etc., trade unions adhere to extremism. The roots of this militancy can be found in the fact that the majority of Indian labour is analphabet, ignorant, and poor making them vulnerable to be exploited by unscrupulous trade union leaders leading to militancy in the union structure and its activities, which is counterproductive to the nation's greater interest.

Unemployment:

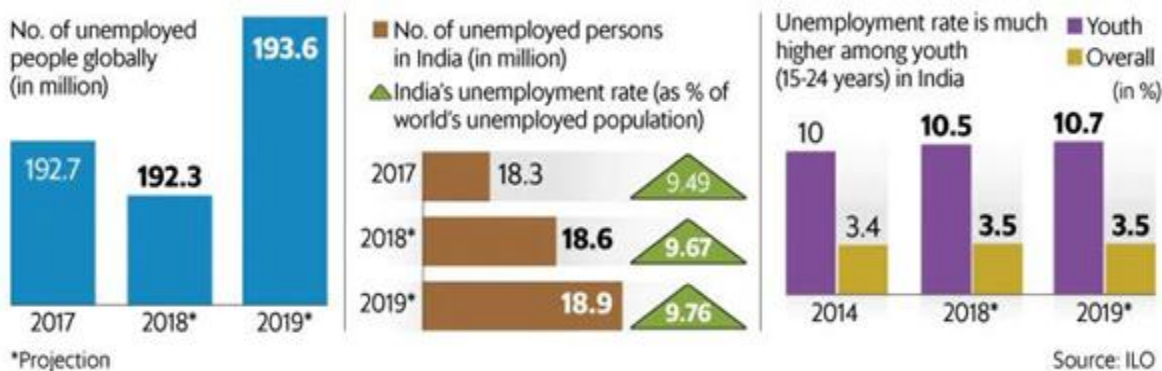
A relatively large number of our country's workforce stays partly or completely unemployed throughout the year or for some part of the season. Although the Periodic Labour Force Survey (PLFS) of the National Sample Survey Office (NSSO) revealed that the unemployment rate in the country in FY18 stood at 5.3 percent in rural India and 7.8 percent in urban India, resulting in an overall unemployment rate of 6.1 percent, this figure fails to consider issues such as disguised unemployment. In the absence of adequate growth of employment

creation from all sectors, the unemployment problem in the country is gradually becoming much more alarming day by day.

According to the ILO(International Labour Organization), 77 percent of Indian workers, 72 percent of South Asian workers and 46 percent of Southeast Asian workers will have vulnerable employment by 2019 in spite of economic growth. “The high and persistent incidence of vulnerable employment in the region largely reflects the fact that structural transformation processes, whereby capital and workers transfer from low to higher value-added sectors, are lagging behind in large parts of the region, with the exception of Eastern Asia,” ILO economist and lead author of the report Stefan Khud said.

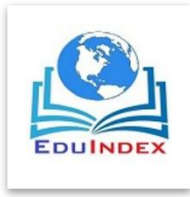
JOBS OUTLOOK

By 2019, India will have 18.9 million unemployed people, or 9.76% of such population worldwide.



Lack of proper labour reforms:

India lags behind its counterparts in terms of adopting the necessary, rational and effective labour reforms in the current scenario. While NITI Aayog's Strategy for New India at 75 report notes that 85 percent of all workers are employed in India's informal sector and NSC's 2012 report pegs the contribution of the informal sector in the national product to be about 50



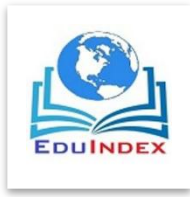
percent, providing legal and social protection to the unorganized sector workers seems to be a gargantuan task. What this means is that 85 percent of our workforce is being deprived of their basic rights: decent working conditions and legal protection against their employers. Periodic Labour Force Survey (PLFS) of the National Sample Survey Office (NSSO), released in May 2019 revealed that the 71.1 percent of regular wage/salaried workers in the non-agriculture sector (informal) sector have no written contract of employment and 49.6 percent do not qualify for any social security benefits.

We have already seen that there are some serious issues concerning the labour market in India. The government must, therefore, map out a clear policy for introducing necessary reforms to the labour market for the country's greater interest as well as for the interests of labour force (both employed and unemployed) in general.

In an agrarian economy like that of India, problems related to agricultural labour, though not as complex, can not be neglected. Therefore, in the following part, we have examined the labour issues faced by India's agriculture sector.

Labour Issues faced by the agriculture sector

The role of the agriculture sector in India's economic and social structure goes well beyond the fact that its share in India's economy has steadily declined to less than 15% due to high industrial and service sector growth rates. India's food security depends heavily on growing cereal crops while raising agricultural productivity per unit of land remains an ongoing challenge. While agriculture does not face conventional labour problems because of the presence of a cooperative mindset, it is plagued with issues such as disguised unemployment, seasonal unemployment, etc. According to NSSO, the size of the agricultural workforce decreased by approximately 30.57 million between 2004-05 and 2011-12, although the size of the total workforce increased, a shift that can be explained by the migration of excess agricultural workers from low productivity farming to higher productivity sectors such as manufacturing and services,



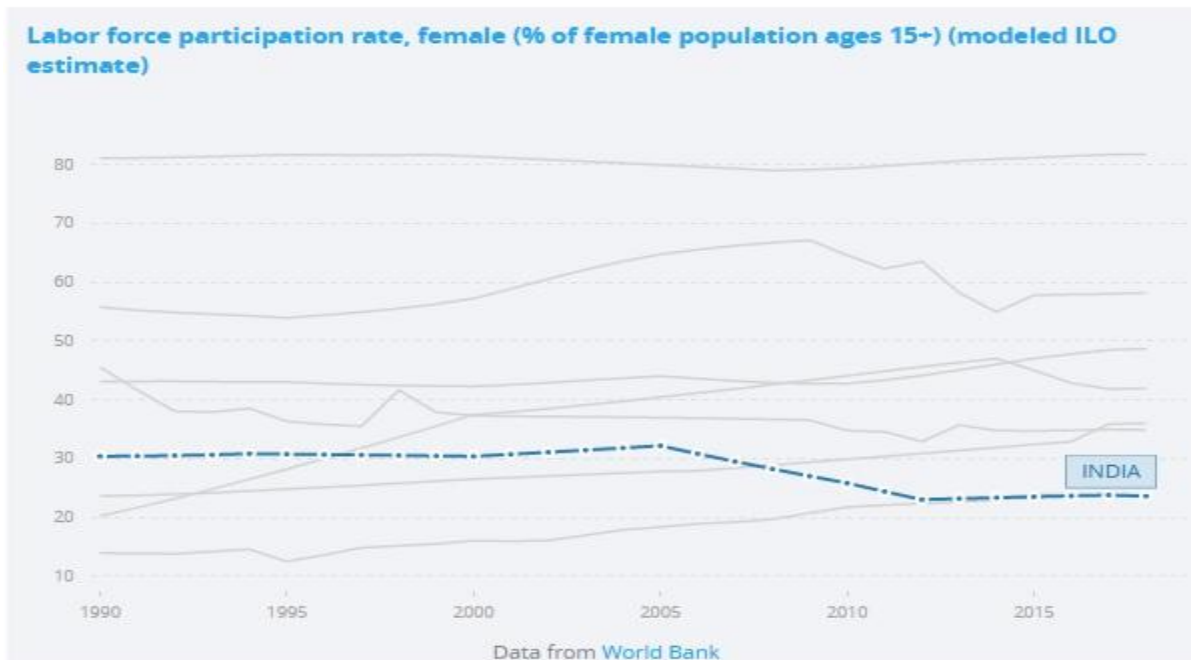
and hence from rural to urban areas. The general consensus is that this large-scale labor migration should not cause any trouble as there is an excess of labour in the agricultural sector. Nevertheless, this migration has begun to have an effect since there is currently no compensation for the shortage of agricultural labor through adequate measures to reduce the overall labor intensity of the sector. Consequently, the primary sector in many Indian states is experiencing severe labour shortage and escalation in farm wages which are adversely affecting the profitability of the farmers bringing about a radical change in the agrarian Indian society.

Disproportionate representation of women in the Indian workforce is another area of concern that needs to be discussed in its own right. The following section covers the problems facing the female workforce in the Indian market.

A noticeable lack of women in India's workforce over the past 30 years

In India, the participation of females in labour force has dropped from 35 percent in 1990 to 27 percent in 2018. The rapid economic growth of our country has been coupled with decreasing fertility rates and higher educational achievement among women. While these strides generally result in increased participation of women in the labor pool, an unprecedented decline has occurred in India on this front. Today, less than 30 percent of working-age women in India are employed as compared to almost 80 percent of men.

The much larger challenge of employment creation facing our nation is a cornerstone of the noticeable lack of female workers in India. However, the fact that women are affected more than men constitutes a disturbing trend for a country, which tends to perform extremely poorly in the Gender Development Index and Index for Gender Inégalité of the United Nations. The graph below shows that India has historically had low shares of women participating in the labour market.



Problems faced by female labour in India:

Occupational Stress: World Health Organization's (WHO) definition of Occupational or work-related stress "is the response people may have when presented with work demands and pressures that are not matched to their knowledge and abilities and which challenge their ability to cope." The two most important facets of the lives of Indian working women are job and family. On a daily basis, they cope with family issues as well as work stress. While a major factor leading to occupational stress is the imbalance between work and family, stress at work arises from several factors.

Mental harassment: The Indian workplaces are still influenced by the primitive notion that women are less competent and inefficient than men. Gender bias also creates discrepancies in the hiring and promotion process notwithstanding the constitutional provisions. Furthermore, the same sort of attitude governs unfair pay differences for the same job. Constantly working in

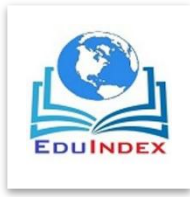
these conditions undoubtedly places an additional strain on women compared to men, stopping their careers from advancing.

Sexual harassment: Today, almost every working woman, regardless of her status, age, attributes, or employment type, is vulnerable to sexual harassment in transports, workplaces, educational institutions, hospitals, and even at home. While Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013 or the PoSH Act that especially protects women from sexual harassment at the workplace goes back to just around six years, the conversation sparked by the #MeToo movement led to increased awareness about the workplace sexual harassment. An analysis of annual reports of BSE 100 companies by ComplyKaro Services showed a 14 percent increase in reports of sexual harassment complaints in FY19 reflecting a positive sign in terms of awareness about the issue.

With the advent of the industrial revolution 4.0, it is imperative that we examine the impact that Artificial Intelligence will have on the future of Indian workforce:-

Impact of AI on the future of the Indian labour force

It is normal to find ways to compensate workers when technological progress leads to loss of income for them. An important point to emphasize here is that in theory, technological progress can make everyone better off, i.e. generate what economists call a Pareto improvement if there is enough political will. By default, technological progress leads to an increase in output per unit of input, implying that there is more overall income to be distributed. If one of the factors of production, e.g. unskilled labour, earns less due to innovation, this means that another individual not only reaps the additional harvest of advancement but also appropriates a part of the income of unskilled labour. A 2013 Oxford Martin's Technology and Employment Program report indicates that only about 0.5 percent of new jobs have been created since 2000, compared to 173 million jobs that would be automated in the next eight years in G7 countries. In a 2013 study

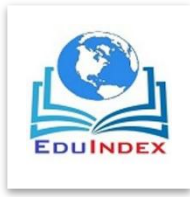


entitled ‘The Future of Employment: How Susceptible are Jobs to Computerisation?’, Oxford professors Carl Frey and Michael Osborne concluded that India, with 65 percent of global IT off-shore work and 40 percent of global business processing, will have 69 percent of its jobs in the formal employment automated by 2030.

How can India prepare its workforce for the artificial intelligence era: With artificial intelligence technologies taking over a broad range of tasks, India will face unique impacts of automation relative to other countries. Advances in AI will affect India’s huge and young population in ways that range from jobs to quality of life. Incidentally, the Indian economy is currently shabbily-equipped to deal with the emergence of automation and AI. Although India is one of the most rapidly growing economies, higher growth is not translating into more jobs. In order to meet the challenges arising from the gradual automation of different working environments, the country needs to take several measures including the promotion of employment and encouragement to entrepreneurship in sectors that are less vulnerable to automation. Political determination and awareness of the challenges associated with automation are key preconditions to prepare India for automation.

Conclusion

It is impossible to imagine the future of work and workforce without contemplating its future in India—soon-to-be the world’s fifth-largest economy. The second-largest country in terms of population is already facing a problem of employing its ever-growing workforce. A report by Ernst & Young stated that only 5.5 million jobs are created for an annual influx of 17 million new entrants into the Indian workforce. According to a 2018 study on the State of Working in India, a 10 percent increase in GDP now results in less than a 1 percent increase in employment—leading to counterintuitive higher unemployment in a fast-growing economy. The study also highlights the issue of income disparity: while labour productivity has increased

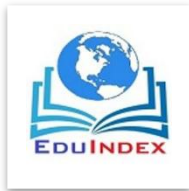


sixfold in the organized secondary sector over the past three decades, wages have increased by only 50 percent over that period of time. Services may not be able to compensate for job losses caused by automation in manufacturing, as major service sectors such as information technology and banking — the leading employers — face the threat of job losses due to evolving industry dynamics and automation in the sector. With this background and dynamics, here are our suggestions to prepare the Indian workforce for future:-

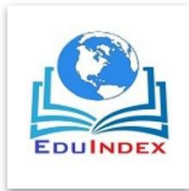
1. Digital training programs, the inclusion of AI and automation in the existing education curriculum, and corporate training programs to expose the Indian youth to a tech-enabled future of employment.
2. Promoting employment in highly interpersonal sectors such as entertainment, sports, arts, education, healthcare, etc., since they are less vulnerable to automation.
3. Promoting startup culture through entrepreneurship programs in universities and supporting small enterprises by increasing the government procurement of goods and services from domestic startups.
4. Prioritizing employment maximization rather than economic growth to increase the absorption of skilled labor in different sectors and to avoid surplus labor.
5. Completing the Sisyphean task of implementing effective labour reforms in order to protect the rights of more than 80 percent of the Indian workforce employed in the unorganized sector and to avoid trade union militancy.
6. Taking appropriate steps to eliminate gender-based disparities in the Indian workforce, such as providing women with a safe working environment.

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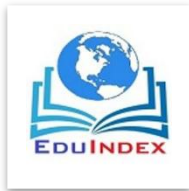
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