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Economic Liberalization on Employment Structure after Independence: Uttar Pradesh, India

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Abstract

The economic liberalization in India refers to the on-going economic liberalization, initiated in 1991, of the country's economic policies, with the goal of making the economy more market-oriented and expanding the role of private and foreign investment. Few changes include a reduction in import tariff, deregulation of markets, reduction of taxes, and greater foreign investment. By the end of the 1970's, India had acquired a reputation as one of the most protected and heavily regulated economies in the world. Starting in the mid-1970s and then later on in the 1980s, a few tentative steps were taken to liberalize the regulatory regime. In 1991, more extensive reforms followed. Since then there have been further policy changes in diverse sectors all aimed at opening up the economy to greater private sector entrepreneurship as well as to foreign trade and investment. This paper deals explosive research of the impact of economic liberalization on employment structure after independence in Uttar Pradesh India.

Keywords: Economic, Independence, Policies, Liberalization, Uttar Pradesh.

Introduction and Literature Review: Economic Liberalization means removal of barriers from inter-country trades. It refers to the process of a country opening its market to outside forces as a way of becoming more integrated into the global economy. The term emerged in the late 18th and early 19th centuries and emphasized the pre-eminence of the individual and its freedom. Economic liberalization is defined, as any act that would make the trade regime more neutral, nearer to trade system free of government intervention (Papageorgion et.al.1990). It is a policy of promoting liberal economics by limiting the role of government to the market economy that works efficiently, this can include privatization and deregulation. Thus, liberalization refers to a decrease in usually the intervention of state and central government in particular areas of social and economic policy. Liberalization, in the globalization context is normally used to refer to a more 'Laissez Faire' approach to economic matters. This classically involves privatization of previously state run enterprises as well as the opening up of economic borders for the purpose of trade and foreign investment. Such policies and actions are also referred to as being neoliberal. Privatization and general deregulation are core features of liberalization.

Sundaram (2001) “Employment-Unemployment Situation in the Nineties: Some Results from NSS 55th Round Survey”, finds, a decline in the crude worker population ratio for men and women in rural and urban areas and in all of the age groups in the 5-59 year range. Planning Commission (2001) in its work: “Report of the Task Force on Employment Opportunities”, suggested that, (a) the encourage growth of GDP with an emphasis on sectors is likely to ensure the spread of income to the low income segments of the labor force, (b) pursuit of sectoral and regional policies consistent, with acceleration of GDP (for example, investment in agricultural infrastructure, especially in the poorer states) and (c) special programmes for employment and income generation amongst vulnerable groups. Mahendra Dev. S. (2000) in his work, “Economic Liberalization and Employment in South Asia-I”, asserted that total employment (formal and informal) grew by 2.17 per cent per annum between 1977-78 and 1983, 1.54 per cent per annum between 1983 and 1987-88, and 2.43 per cent per annum between 1987-88 and 1993-94. Lall (2002) in his paper, “The Employment Impact of Globalization in Developing Countries”, pointed that the employment impact of globalization varies across developing countries depending on their ability to cope with liberalized trade, investment and technology flows. Further, even though trade impacts sectoral composition of demand for labor in a significant way, it is not often the alone factor in determining post-trade reforms employment. Rather, a range of factors including labor market regulations, rigidities and institutions, sector specific structure, etc. influence labor market outcomes of developing countries to a large extent. Sarkar (2004) in his study, “Reforms and Employment Elasticity in Organized Manufacturing”, shows increase in organized manufacturing employment growth in the 1990s. This is partly explained by changes in the size structure in favor of small and medium sized factories and largely on the declining growth of real wages in the industrial sector. Sakthivel (2003) “Economic Reforms and Jobless Growth in India in the 1990s”, finds a sharp deceleration in employment growth across sectors in the 1990s. The study finds zero employment elasticity for the primary sector during the post-reforms phase and declining elasticity for the secondary and tertiary sectors.

Aims and Objectives: Suggestions of some appropriate aims and objectives that achieved in research paper.

1. Study showed its positive and negative impact of economic liberalization on employment structure in Uttar Pradesh.
2. Examined the process and contribution of economic liberalization as well as privatization and modernization on economy and employment structure in the recent past history or after post-independent era.
3. Examined the primary, secondary and tertiary sector of employment structure and its effects on labor force, migration of people, market growth, to rural and urban areas.
4. The process of changing and shifting of employment structure through parentage of primary sector to secondary and tertiary sector and analyzed its impact on economy.

5. Examined the growth of liberalization of Indian economy and its effect on gross domestic product in national and international market.

India's Economic Reforms What Has Been Accomplished: India's reforms have been piecemeal and incremental, giving the casual observer the impression that nothing has been happening. If one takes the totality of reforms over the last decade, however, the change is unmistakable. The analogy is with the hour hand of the clock, which looks completely static, and yet completes a full circle every 12 hours. To get an idea of the accomplishments, begin with the industrial policy prevailing prior to the launching of the reforms. The heavy industry was a state monopoly. Other industries were either subject to strict industrial licensing or reserved for the small-scale sector. The tight control of the government on industry was aptly captured by a leading cartoonist in a 1980s comic strip showing the industry minister tell his staff, "We shouldn't encourage big industry—that is our policy, I know. But I say we shouldn't encourage small industries either. If we do, they are bound to become big.…" The reforms of the last 10 years have gone a long way toward freeing up the domestic economy from state control. State monopoly has been abolished in virtually all sectors, which have been opened to the private sector. The License Raj is a thing of the past. The small-scale industry reservation still persists but even here progress has been made. Apparel, with its large export potential, was recently opened to all investors. In the area of international trade, in 1991, import licensing was pervasive with goods divided into banned, restricted, limited permissible, and subject to open general licensing (OGL). The OGL category was the most liberal but it covered only 30 percent of imports. Moreover, certain conditions had still to be fulfilled before the permission to import was granted under the OGL system. Imports were also subject to excessively high tariffs. The top rate was 400 percent. As much as 60 percent of tariff lines were subject to rates ranging from 110 to 150 percent and only 4 percent of the tariff rates were below 60 percent. The exchange rate was highly over-valued. Strict exchange controls applied to not just capital account but also current account transactions. Foreign investment was subject to stringent restrictions. Companies were not permitted more than 40 percent foreign equity unless they were in the high-tech sector or were export-oriented. As a result, foreign investment amounted to a paltry $100-200 million annually. Today, import licensing has been completely abolished. This includes textiles and clothing, which remain protected in developed countries through the multi-fiber arrangement. The highest tariff rate has come down to 45 percent (including the tariff surcharge and the so-called Special Additional Duty) with the average tariff rate declining to less than 25 percent. The foreign investment regime is as liberal as in other developing Asian countries. Ten years ago, telecommunications services were a state monopoly and constituted a major bottleneck on the conduct of business activity. So callous was the attitude of the government that when a Member of Parliament complained about poor telephone service in Delhi during the early 1980s, the then telecommunications minister went on to remind him that in a poor country like India, the telephone was a luxury. The minister then added that if the Member was unhappy with the service, he could return his phone since many customers had queued up for it for years.

Today, the private sector has become an active participant in the telecommunications sector, and the New Telecom Policy issued in 1999 sets the target of providing telephones on demand by the year 2002. In many cities, this goal has already been achieved. The provision of cellular mobile as well as fixed service is now open to the private sector including foreign investors. As a result, the telecommunications services in India are mushrooming. Progress has also been made in many areas that were previously off limits to reforms. Insurance has been opened to private investors, both domestic and foreign. Diesel oil and gas prices have undergone some increases. At least symbolic reductions have also been made in fertilizer and food subsidies. The value-added tax has undergone substantial rationalization. These reforms have paid handsomely. The economy has grown at more than 6 percent coupled with full macroeconomic stability. This compares with a growth rate of 3.5 percent during 1950-1980. The rate of inflation has been low and foreign exchange reserves are sufficient to finance imports for more than eight months. Rising incomes have helped bring down poverty. According to official figures, the proportion of poor in total population has declined from 40 percent in 1993-1994 to 26 percent in 2000. But, perhaps, the greatest change in the last 10 years has been in the attitude toward reforms. Whereas the vocal supporters of reforms within India were rare during the 1980s, virtually every political party today recognizes the need for continued reforms. Differences on which reforms to undertake first and at what pace still exist, but few disagree that reforms must continue. Initial fears that changes in governments will bring the reform process to a halt or even reverse it have proven to be without foundation. The accomplishments of the past decade are dwarfed only by what remains to be done. To begin with, the fiscal deficit is in a dire state. The combined deficit at the center and states exceeds 10 percent of GDP. Given an already high debt-to-GDP ratio of nearly. 60 percent, this deficit is unsustainable; it is also crowding out private investment. From the viewpoint of long-run growth, the “old economy” must be further unshackled. A key deficiency of India’s growth process has been the failure of the conventional industry to pull workers out of agriculture into gainful employment. Today, in contrast to virtually all successful developing economies, approximately 60 percent of India’s workforce still remains in agriculture. The revival of conventional industry requires reforms in four key areas. First, a large number of highly labor-intensive products remain reserved for small scale producers. As a result, the labor-intensive industry has been scuttled in India and, with trade liberalization, will find it almost impossible to survive. This reservation must end with small-scale producers given assistance through alternative measures rather than a total ban on large-scale entry. Second, labor laws must be reformed so as to restore the employer’s right to layoff workers upon adequate compensation to them. At present, firms with 100 or more workers have no legal way to exit since they cannot lay off their workers. This works as a major barrier to entry of new firms on a large scale: they hesitate to enter into a world that has no exit doors. Third, privatization of public sector enterprises needs to be speeded up. With almost two thirds of the industrial output of the organized sector in these enterprises, it will be difficult to stimulate industrial growth in the short to medium run without faster privatization. Finally, trade liberalization must proceed apace with all tariffs brought down to 15 percent or less in the next three years. Again, this is necessary to reallocate production toward labor-intensive products in which India has comparative advantage. It will also be salutary for poverty reduction. Infrastructure is another important area of reforms. Roads, railways, and ports all need expansion as well as improvement in the quality of service. The government has recently taken steps in this direction, particularly in the area of roads, but the pace remains slow. The most important area of reforms is perhaps India's power sector. Virtually no sector of the economy—industry, agriculture, or services—can achieve successful transformation without adequate supply of power. The power sector has been a government monopoly at the state level and suffers from proverbial inefficiency including large-scale thefts of electricity in almost every state. Reforms involving privatization of power generation and distribution have been undertaken in several states recently but no spectacular successes have emerged as yet. This is the area with highest payoffs for imaginative reforms. Fertilizer and food subsidies pose yet another challenge. As much as 0.7 percent of GDP goes into fertilizer subsidies. Contrary to popular impression, much of this subsidy goes to support the inefficient domestic fertilizer industry rather than farmers. In the last five years, the prices for fertilizer paid by farmers have been close to the world price. Guaranteed rates of return to fertilizer manufacturers have allowed firms with costs two to three times the price in the world market to stay in business. Likewise, the bulk of the food subsidy has failed to reach the poor. Between food and fertilizer subsidies, there is scope for generating savings worth more than 1 percent of GDP. Economic reforms of the last decade have virtually bypassed agriculture. Besides fertilizers among others, farmers need adequate supply of water and electricity. Currently, these are provided free of charge but their supply is highly unreliable. Farmers must also be able to reap the full market price for their product rather than be subject to a procurement price below the market price. Further, export restrictions must be phased out. The need for the expansion of primary education is well recognized. But needed as well are reforms in the area of higher education. Universities in India also remain a state monopoly. With the need to cut the fiscal deficit, the state has no resources to spare. Therefore, like most other countries including Bangladesh and People's Republic of China, India must allow the entry of private universities. Financial sector reforms, particularly the reform of banking, remain a distant goal. While foreign banks are now allowed freely to open branches in India, they have not yet moved in aggressively. Banking sector privatization will take time but large efficiency gains could be achieved if labor laws are reformed to restore the hire and fire policy. Layoffs in banks have been very difficult and voluntary retirement schemes extremely costly. Finally, the reform of bureaucracy is essential. The problem of a bloated bureaucracy and the need for downsizing it is well recognized. But with policy making becoming an increasingly sophisticated and specialized activity, it is necessary to open the top bureaucracy to outside specialists. One proposal, made by the present author, is to open the positions at the level of Joint Secretary and above to outsiders rather than limiting competition to the existing bureaucracy as is the current practice.

Data Sources & Methodology: The study as set out that explored through a mixture of focus groups and interviews. It is reasoned and realistic explanation of the scale that the questionnaires of topic that severely restrict the scope available for exploring an incredibly complex and varied issue of study.

1. **Main Source of Data:** Primary source of data collection are used interviews, questionnaires, door to door survey observations and secondary source of data collection used government, local, municipal agency data, published and unpublished sources of data. The secondary data sources are, Human Development Report: Uttar Pradesh, Census of India: Uttar Pradesh, National Sample Survey, Local & Government Agencies, Local & Municipal Data.
2. **Methods to Gather Data**: Observations, field survey, and small numbers of questionnaires, focus groups, subjective reports and case studies this framework for collecting of data is appropriate and truly realistic it will provide quality, reliability and validity of work.
3. **Method to Analysis Data:** Quantitative and qualitative methods that have been a clear and systematic approach of data analysis, research work are much more focused on the collection of numerical data and statistics of correlation coefficient techniques, this technique are showing easily explore the research.

Problem of Shifting Employment from Primary to Secondary and Tertiary Level in Post-Independent Era with Help of Correlation Coefficient Technique

A correlation coefficient (r): Is “a decimal number between 0.00 and + or –1.00 that indicates the degree to which two quantitative variables are related”.
Formula Correlation Co-efficient: Correlation(r) =[NΣXY - (ΣX)(ΣY) / Sqrt ([NΣX2 - (ΣX)2][NΣY2 - (ΣY)2])] where, N = Number of values or elements X = First Score Y = Second Score ΣXY = Sum of the product of first and Second Scores ΣX = Sum of First Scores ΣY = Sum of Second Scores ΣX2 = Sum of square First Scores ΣY2 = Sum of square Second Scores.

	Total Percentage			Change Percentage Point	
Sector	1981	1991	2001	1991-1981	2000-1991
Primary Sector	74.9	74.46	66.24	-0.4	-8.22
Secondary Sector	9.5	8.8	5.67	-0.6	-3.13
Tertiary ector	14.9	17.00	27.4	+2.1	+10.4

Source: Various Census Reports.

The analysis shows with the help of above table 5.1 that before liberalization the distribution of workforce engaged in primary sector in 1981 was 74.9 and in 1991, it was

74.46, the change shows a declining trend from 1981 to 1991, which is -0.4 percentage points. Likewise, in secondary sector workforce engaged in 1981 is 9.5, in 1991, 8.8; the change shows the secondary sector has also declined from 1981 to 1991 which is -0.6 percentage points. The third sector is tertiary sector where workforce rises, from 1981 to 1991, which is from 14.9 percent to 17.00 percent. The change shows the increase of + 2.1 p.p. Before liberalization the rate was lower in primary sector and higher in secondary and tertiary sector. After liberalization workforce of primary sector declined 66.24 percent from 1991 to 2001, but primary and secondary sectors have declined. The primary sector is in great loss. It clearly shows that after liberalization tertiary sector rises at higher rate and both primary sector and secondary sector have shown negative growth table 5.1 which particularly have significant impact on the primary sector of economy. The secondary sector has been affected less than half of the primary sectors. The tertiary sector has gained fairly.

A General Description of Area Examined: Uttar Pradesh is the fifth largest state of India with its capital located at Lucknow. The state has the largest urban area and population. It has the largest number of million plus cities. It is the most populous state of India which supports 16.44 percent of Indian population and 9.65 percent of the area of the country. The state lies between 23o52′ to 31o28′N latitudes and 77o04′ to 84o38′E longitudes, enjoying the central position in northern India. It covers an area of 2, 94,411 sq.km. Of which 16.30 percent forms a hilly tract and the remaining 83.70 percent lies in the plain region. The northern limit of the state is demarcated by an international boundary with China and Nepal. The southern boundary of the state runs with Madhya Pradesh. In the northwest and west, the boundary touches the states of Himachal Pradesh, Haryana, Rajasthan and Delhi. The eastern border runs with Bihar. The Yamuna river forms part of the western boundary and the Gandak makes the part of the eastern boundary.

Conclusion and Suggestions: The implementation of liberalization in Uttar Pradesh, the government faces many new challenges, the level of competition rise in the market, industry produced goods and services are in better quality, so they can challenge the global market and their demands increase in international market, standard of living increases, people are living in better condition and enjoy their higher status, their economic, social, and cultural life has improved, various new opportunities are now open for the people to reach the international and global level. The dynamic information technology (IT) sector has under gone major changes through liberalization and modernization, while many employment opportunities rise in this new IT sector. There is a continued emphasis on technological progress in agriculture especially in the backward districts in Uttar Pradesh. Through, liberalization many new doors opened in economic sectors to raise the over all economy, to raise employment and to reduce poverty, and the sustainable development of the state and better employment opportunities provided for our future generation. So, they can live in a better condition and make efforts to put the economy on the path of economic development and catch the growth pattern of developed nations.

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