

NATION STATE, MARKETISATION OF SOCIAL SERVICES AND UNCERTAINTY OF LIVELIHOOD IN INDIA

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Abstract: An attempt has been made to highlight some important issues in order to examine the inclusiveness of growth during the era of neoliberalism in India. The article is an attempt to examine the changing role of State within the capitalistic economic structure: how Indian State, which as an inseparable part of international capitalism, has shifted its path from welfare or Interventionist State to *laissez-faire* neoliberal State. The retreat of the State causes the marketisation of health and educational facilities, which has brought these two significant social services to the market as attractive profit earning commodities. The process of commodification of these services does lead to the deterioration and inaccessibility of these facilities to the masses. The article also scrutinises the question of livelihood through the study of changing structure of employment. The distribution of population employed in various activities and change in the status of employment after the introduction of neoliberal policies are also examined. The process of casualisation and informalisation of livelihood opportunities is also studied in order to grasp the extent of relative surplus population in India. The question of absolute reserve army of labour (wholly unemployed population) examined through the study of workers who are eligible for work but unable to get any work due to jobless growth process in India. The development of an imported industrialisation process has resulted in the increase in proportion of constant capital (machines and related equipments) relative to variable (human labour) capital in manufacturing sectors. In the whole discussion on employment and unemployment, an attempt has been made to apply the Marxian conception of reserve army of labour on Indian working population in order to examine the emerging working-class structure.

Key words: state; capitalism; commodification; reserve army; casualisation

WORLD REVIEW OF POLITICAL ECONOMY VOL. 6 No. 1 SPRING 2015

1. Capitalism and Changing Role of State in Global North

This article addresses the new institutional framework of world capitalist system named *neoliberalism* and its impact on various segments of Indian economy. Capitalism has been a global phenomenon since its origin. India being a part of the global capitalist system cannot be separately examined without taking the changes of world capitalist system into consideration. In the present phase of capitalism, dominated by the international finance capital, globalisation has become an inevitable part of economic growth in India. In order to examine the domestic and present situation of India, certain issues require global and historical understanding. Therefore, the changing role of nation State and its impact on socio-economic aspects in India require global understanding of the same issues.

Starting from the nation State, the history shows that the State in any socio-economic formation cannot be neutral. It always protects the interest of one class at the cost of other classes. Regarding State, Lenin (1964, 5) argued that

it is an organ of class rule, an organ for the oppression of one class by another. In a capitalist society, in the first place, the State comes into action in the economic sphere in order to solve problems which are posed by the development of capitalism. In the second place, where the interest of capitalist class is concerned, there is strong predisposition to use the State power freely. And finally, the State may be used to maintain the stability and functioning of the system as a whole.

The above explanation has a deep meaning if we really want to understand what nation State is.

The classical liberal economic thought that has been adapted by the orthodox economists from the writings of Adam Smith and his followers was dominant in the world scene prior to the Great Depression. The philosophers including Hobbes, Lock, Hume, Kant and Adam Smith have more or less the same idea that the role of the State should be facilitator for the achievement of private ends. Their ideas of liberalism associated with the belief that State ought to be minimal, which means that practically everything except army, police and law enforcement ought to be left to free dealing of citizens. They favour *laissez-faire* economic policies, because it is thought that these policies lead to more freedom and democracy. This idea of liberalism was actualised in the USA and Europe prior to the Great Depression. Prior to World War I, the accumulation process under world capitalist system was driven by the progressive forces of free competition and uncontrolled finance capital. Under the rule of liberal State, the 50 years of progress (before 1929 crisis of capitalist economic structure) in the USA and Europe produced the extremes of wealth on one pole and extremes of poverty production on the other.

The rapid industrialisation and urbanisation process has transformed the rural and agricultural people into urban proletariats (Wolf 2012). The free competition resulted in contradictions within the nation State in the form of conflicting interest of industrial and finance capital. It had put some hurdles on the profitability and accumulation process of capitalism. This process of uncontrolled growth of industrial and finance capital led to the crisis of capitalist economic system in the 1930s. The primary cause behind the 1929 to 1933 depression in world capitalist system was the growth of large-scale financial sectors along with professionally managed corporations and cartels. The working class, which was the main driving force for the circulation of capital, has experienced stagnation in real wages resulting in the decline in demand for capitalistic production. While the highly speculative financial sector that tried their efforts to sustain the compound growth of capital through loans and credit creation had led to Great Depression in 1929. During this period, Franklin D. Roosevelt took over the presidency in the USA and changed his policies (due to depression and largely due to strengthened forces of active organisation, both labour unions and socialist groups) to get the capitalist system out of crisis. At the same time, Keynes ([1936] 2006), the well-wisher of capitalism, has suggested the philosophy of “State Intervention” in the form of investment and expenditure in order to revive the capitalism from crisis. It was not only the philosophy of Keynes which resulted in the rise of interventionist State but the most important reason was formation of strong workers unions and expansion of socialist and communist groups. In the USA, Roosevelt warned the capitalist class that they would soon face a population led by increasing anti-capitalist forces seeking much more fundamental changes to the system. He succeeded to build a partnership to construct a kind of social democracy popularly known as *New Deal*. It became the accepted belief that the government needed to play an active role in regulating their economies. The *laissez-faire* paradigm could not operate with only an “invisible hands.” This new interventionist approach has replaced the classical liberalism and it became an accepted belief that capitalism requires significant State intervention in economic affairs to sustain the accumulation process and growth of capital. This notion gave birth to the concept of “Welfare State” accompanied by strong workers movement relatively high social welfare spending, which resulted in the rise in general wage level and employment. The era between 1950 and 1970 was also marked as a “golden age of capitalism.” During this period, the organised working class accepted capitalist markets and property rights in exchange for political democracy, which enabled workers to achieve social security and higher wages on the one hand and caused the rise in demand for capitalistic production on the other hand (Streeck 2011). This was the period of balance between market and public goods. Keynesianism entered into crisis in the 1970s characterised by stagflation—high rate of inflation along with

the stagnation of real wages and high rate of unemployment—which led to the demise of this system.

In the 1970s, the notion was again developed to put the system (particularly capital) out of crisis. But this time, State intervention was considered as an obstacle in the way of economic growth. The right wing coalition of business and upper income group along with class intellectuals denoted State intervention as a major constraint to improve efficiency and individual freedom. During this period, new institutional framework, neoliberalism, as a potential solution to the structural crisis of capitalism established its roots. The initiative of neoliberal theory was started by a small but exclusive group of passionate advocates—mainly academic economists, historians and philosophers. This group, under the leadership of Hayek, created a Mont Pelerin Society in 1947. The economist Milton Friedman was part of that society. The group members depicted themselves as liberals (in the tradition of European sense) because of their fundamental commitment to ideas of personal freedom (Harvey 2007). Milton Friedman and his followers from Chicago school have argued to assign a very limited economic role to the State. Friedman (1956, 27) argued, “the role of government just considered is to do something that the market cannot do for itself.” They suggested the philosophy of free market economy again and referred to the Keynesian philosophy as outdated. They favoured the “retreat of the State” from economic and social affairs with an argument that market has the capacity to settle any crisis. They claimed that the excessive power of labour was the primary source of crisis because labourers would not be ready to accept the lower wages when the demand for their labour falls. These policy recommendations in the form of new institutional framework commonly known as “neoliberalism” started its dominance from the 1970s onwards. These recommendations include deregulation of business, privatisation of public activities and assert elimination of or cutback of social welfare programmes, and reduction of taxes on businesses and investing classes (Kotz 2002). During this period, capitalist class has made the reduction in the number of employees (through intensive use of labour-saving technology) and in wage bill to meet the demand of shareholders for higher profits (Grahl 2011). It causes decline in taxes on factory owners and shareholders and reduction in subsidies to commons, which has raised the profits of capitalists. As a result of this, the situation of workers and common people started deteriorating. This response to the economic instability and capitalist crisis was again temporary. The alternative that the economists have suggested to solve the crisis was not new, rather an old one. These neoliberal ideas were nothing but the ideas of classical economists, who viewed State as an obstacle in the accumulation process of capitalist class. So, due to stagnation in real wages, the dream of the working class for a decent life ended. The only remaining way with the common masses for survival was

borrowings. The housing loan, auto loan and education loan became an important part of the rising household and consumer debt. The data show that when the Great Depression hit in 1929, the average US family debts roughly equalled 30% of their annual income. In 2007, according to Federal Reserve, the comparable number was well over 100% (Wolf 2012). The speculative nature of capital, which always looks for higher returns on loans, is least interested in stability of the capitalist system. The unregulated growth of the mortgage financial system that started in the mid-1970s caused the collapse of the financial system in 2008.

In the light of above facts, the present article is an attempt to examine the role of State in India, particularly after the advent of neoliberal regime (1990s onwards), when India boldly joined the world capitalist system by initiating a series of neoliberal reforms. In the first section, the attempt has been made to explain the retreat of the State from economic and social affairs and its effect on the accessibility of common masses to essential services, particularly health and educational facilities. The opening up of Indian economy for foreign capital has posed important challenges for the livelihood of common masses in India. The second section of the article deals with the employment pattern and changes therein during pre- and post-liberalisation phase. Under this section, attempt has also been made to examine casualisation and informalisation of livelihood opportunities in order to grasp the relative surplus population in India. The change in the proportion of constant and variable capital in a given production process and issue of formal and informal employment along with the unemployment are considered in this part of the article in order to examine the absolute surplus population and reserve army of labour in India.

2. Retreat of the State and Marketisation of Social Services in India

In the international arena, the post–World War II period is referred to as the period of de-colonisation of third world economies. During this period, Keynesian philosophy of regulated capitalism became dominant in Europe largely due to the rise of the Soviet Union and its followers, which jointly formed a socialist camp in the world economic system. India, after attaining independence, has followed the State-led development strategy entailing not only substantial State expenditure but even the permanent and important presence of a public sector. After the breakdown of the Soviet Union, there has been an enormous shift in the direction of capitalist production base from global north to global south. To earn higher profits, capital is rapidly moving towards the emerging economies of Asia. The neoliberalism is a tool which made this change possible. Since the last two decades, the neoliberal economic policies have been dominating the Indian economic strategy due to continuous pressure directly from the USA and indirectly

through the International Monetary Fund, the World Trade Organization and the World Bank. These policies are concerned mainly with dismantling what remains of regulationist Welfare State.

After independence, India adopted a middle path that is mixed economy (neither State capitalism nor liberal capitalism) largely based on the Nehruvian ideology. But the interest of Indian capitalist class was not separate from Nehruvian ideology. Indian State has adopted the planned development strategy through which the State had taken over all those industries that required long gestation period and higher investment. Bardhan (1998) considered the industrial *bourgeoisie* as the dominant proprietary class and the major beneficiary of State policies in India. This class had influenced the State policies to encourage the restrictive trade policy, running a large public sector providing capital goods and intermediate products and infra-structural facilities for private capital. This was the period of controlled capitalism at the world level as well as in India. These *dirigiste* practices have lost credence since the late 1980s, when the relative autonomy of Indian State started eroding, and the functioning of the Indian State has been completely directed and controlled by the global capitalism. The Nehruvian State, which undertook public investment and built up the public sector, transformed into a neoliberal State during the 1990s. Since the last two decades or so, neoliberal capitalism has become the dominant mode of production in Indian economy. The introduction of neoliberal ideology in the name of reforms has replaced the Nehruvian ideology with the World Bank ideology. The justification of this ideology was presented by the trained Indian origin intellectuals based in Western universities and institutions. The fundamental difference between the Nehruvian and World Bank ideology was that the earlier ideology was favouring the interest of domestic bourgeoisie, whereas neoliberal ideology was following the interest of big international finance capital and multinational corporations. The dismantling of controls in the name of economic reforms for higher economic growth and modernisation undermined the interest of Indian masses. Now, the Indian neoliberal State, in order to protect the interest of international finance capital, plays a facilitator's role by subsidising and building the favourable environment for foreign private capital. Recently, in order to enhance the profitability of private capital, it increasingly intervenes in the areas of social life, which private capital normally cannot exploit on its own behalf. The personal union between big financial and industrial capital is now openly supplemented by the personal union between both the financial and industrial capital and the State.

This new institutional framework in the form of neoliberalism represents the tyranny of international finance capital in the most organised and atrocious manner. India's economic and political scenario for the last two decades represents this tyranny. Under this tyranny, the natural resources indispensable for the people's

survival are facilitated by the State in order to hand over to private capital in the name of industrialisation. In the name of economic reforms, Indian State is planning to dispossess millions who live traditionally on a natural resource base. It presents the moment in capital accumulation that leads to an unprecedented expansion of capital by bringing into the commodified zone even aspects which have been considered as non-commodified such as education and health during the dirigiste regime (prior to 1990s; Kumar 2011). The State, which was welfarist, had promised to take care of health and educational concerns of its people started saying that it was not possible for it to bear the burden of educating every child and taking care of the health of all the citizens. By such argumentation guided by corporate class, the private investment in education and health started rising, and education and health services became attractive profit earning commodities.

It can be analysed from the fact that after the introduction of neoliberal policies, there is a continuous tendency to cut down the public sector expenditure, no matter how essential these expenditures are. Since the 1990s, Indian State is reducing the government expenditure on neoliberal lines, including the expenditure on social services with an objective to open the major social services for private capital. Since then, public expenditure as a percentage of GDP on these services has recorded decline. The social sector spending in India recorded 18% during 2011–12 and it remained the same during 2012–13. Among the social indicators, health care and education are the two key components. The effect of disinvestment policies on health and educational sectors can be clearly seen from the data. The private-capital-driven Indian economy, which referred to itself as one of the fast growing economies in the world, ranks 136 out of 187 countries (Low Human Development Index [HDI] category) in terms of human development (HDI 2013). India's public expenditure on health ranks among the lowest in the world. In India, public spending on health as a percentage of total public spending recorded 4.1% (just around 1.2% of GDP) as compared to 6.5% at the world level. The main cause behind the deterioration of health indicators in India is the secular decline of public sector expenditure on health facilities under the guidance of neoliberal agenda to provide space to the private capital to grab health facilities in order to exploit the basic service for higher profits. As Chandra (2010) highlighted, three quarters of the advanced medical technology and 68% of hospitals in India are in the private sector. Due to the planned disinvestment policies, the government health services, which were well reputed in the past, have hardly any patients today; if there is any, it is because of their inaccessibility to costly private hospitals. The government data indicate that 18% of illness in rural areas and 10% of the population in urban areas do not receive any form of health care. Government hospitals continue to face acute staff shortage as over 85% of specialist doctors, 75% of doctors, 80% of lab technicians and 53% of nursing staff posts are vacant across States. In the

post-independence era, the private health sector has grown from 8% of hospitals to 93% (Rao 2013). There are no or very few medicines in government hospitals. The patients who stay in these hospitals have to often buy the medicines from private stores, which are directly linked with the doctors through commissions. The commodification of health services can be judged from the fact that the market size of private hospitals in India increased from US\$22.0 billion in 2009 to US\$45 billion in 2012, with a compound annual growth rate of 26.9%. In 2012, private hospitals constituted 82% of the total hospital market in India. The foreign direct investment (FDI) inflow in hospitals and diagnostic centres recorded Rs. 6,340.88 crores between 2001 and 2012, whereas during the same period, FDI in drug and pharmaceuticals recorded Rs. 45,313.03 crores (see Figure 1).

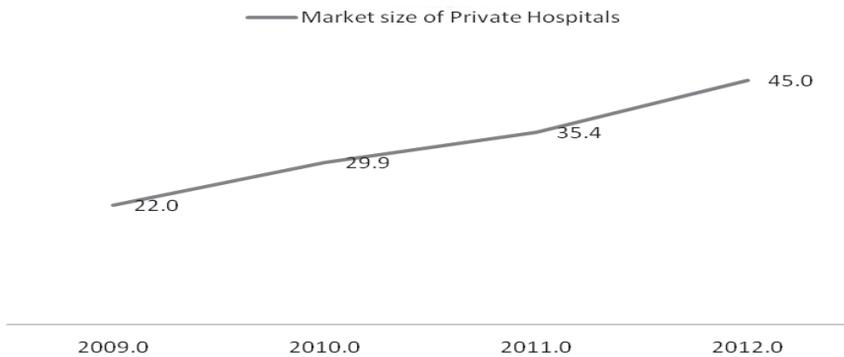


Figure 1 Market Size of Private Hospitals in India (in US\$ billion)

Source: World Health Organisation's Statistical Information System (www.who.int/gho/database/en/).

This capitalist health network has observed the health services as an attractive profit earning commodity and it is exploiting the bottom strata of society and deepening the health inequality in India. The retreat of the State from the health sector and rising private corporate sector investment through government incentives in the form of provision of land at throwaway prices, exception from custom duties on import of medical technology and concessional loans from financial institutions, have put a question mark on the future of access to health facilities for the common masses. The out-of-pocket health expenditure in India accounted for 86% of the total health expenditure. In order to meet these health facilities, an increasing proportion of population is borrowing or selling their assets to get medical services in the profit-driven private health institutions. This neoliberal ideology of introducing market principle into the high priority area of public goods has converted the health care into a market-driven, attractive profit

earning commodity. Rao (2009, 272) pointed out that as economic inequality has increased in neoliberal India, so has health inequality between the States, between rural and urban, between different social groups and most importantly between rich and poor.

The case is almost the same in education. After the introduction of neoliberal policies, the education in India has become a market-driven service. The corporate sector investment in education has increased sharply after the advent of neoliberal regime. The educational reforms in India are an integral part of neoliberal policy agenda. Under the pressure of international finance capital and domestic corporate class, the public expenditure on education as a percentage of GDP has also registered a decline from 4.2% in 2000 to 3.1% in 2011–12. In India, privatisation of education has been on the anvil for quite sometime now, and it is justified by the argument that it would improve the quality of education and enhance the efficiency of teachers as well as students. The higher education in the name of efficiency has become a target for marketisation agenda since the 1990s. As the demographic trend shows that India with a high proportion of young people is the largest education market in the world. In India, private capital has pressurised the State to end the restrictions on private investment in education, so that it can enter into the field to earn the higher profits by exploiting the needs of young people in India. The neoliberal State in order to meet the desires of private capital opened the education sector for private capital. The Indian neoliberal State has offered an estimated US\$40 billion educational market to the private corporate sector, with potential of 16% annual compound growth rate. Now, the universities and education in India became an integral part of the neoliberal institutional framework of capital accumulation. The universities in India are argued to adopt the commercial attitude of education according to the needs of market. Capital is in firm control of the overall education system in India. Education has been treated as a market-driven commodity largely advertised by the private and deemed universities through electronic and digital media. These private and deemed universities are not different from the private enterprises in one respect that the main motive of private capital is profitability and for that purpose they are using the various methods of exploitation. They are treating education as a profit earning commodity and teaching as a labour in production of this commodity. In order to attain the higher profits, these universities are applying the cost–benefit method while preparing the fee structure of each course. In India, the private and deemed universities are mainly running those courses, which are categorised by the government as self-financed courses because they can charge more fees in these courses. The profitability of private and deemed universities can be judged from the fact that the number of deemed universities increased from 52 in 2002 to

Table 1 Growth of Deemed and Private Universities in India

| <i>Years</i> | <i>Deemed universities</i> | <i>Private universities</i> |
|--------------|----------------------------|-----------------------------|
| 2002 | 52 | 0 |
| 2006 | 102 | 10 |
| 2007 | 102 | 21 |
| 2009 | 128 | 21 |
| 2010 | 130 | 61 |
| 2011 | 120 | 94 |
| 2014 | 128 | 192 |

Source: University Grants Commission's "Higher Education in India" (www.ugc.ac.in/page/Other-Publications.aspx).

128 in 2014 and the number of private universities started from 0 in 2002 to 192 in 2014 (see Table 1).

In 2008, India had 75,060 private schools with enrolment of on average 1,200 students, constituting a US\$20 billion market. The private professional colleges constitute a US\$7 billion market in India. The private medical colleges on an average charge Rs. 250,000, engineering colleges charge Rs. 150,000 and management colleges charge 300,000 average annual fees. In 2008, India had 140 private medical colleges, 1,200 private engineering colleges and 300 private management colleges (Vajpayee and Joshi 2008). The planned low-level expenditure on education and health by the State, on the one hand, and incentives to the capitalists to invest in these two priority fields, on the other, clearly present the new institutional framework of international finance capital in the form of neoliberalism, which has been effectively implemented by the Indian government through its State apparatuses and policies.

3. Neoliberalism and Employment Pattern

The related and other important segment of the Indian economy which is largely effected by the neoliberal policies is a means of livelihood and change therein after the removal of restriction on the free movement of capital beyond the national boundaries. Under neoliberalism, the transformation of Indian economy from predominately subsistence economic activities, agricultural and largely informally organised production to capital-driven economy dominated by modern industrial and service sector activities, is likely to lead to structural change in labour categories and employment patterns. This process not only leads to the change in sectoral composition of workforce but also results in the change in mode of work and employment structure. In this part of the article, a modest attempt has been made to examine the changing scenario of employment in India after the introduction of a new institutional framework of capitalism.

3.1. Rise of Neoliberal State and Shrinking of Organised Sector Employment

Capital is more concerned with profits rather than with the workers' security. All the time, capitalists make efforts to replace the workers from the production process by introducing some new innovations/techniques. In capitalistic economic structure, the issue of employment is not only an economic sphere but also a political one. The business leaders dislike the government spending policy when they come to consider the objects on which the money would be spent. Under capitalism, the economic principles of government intervention do not compete with the equipment of private business. The so-called experts always oppose the public spending (no matter whether it is public investment and subsidies) to protect the interest of private business. These are the political reasons for the opposition against the government policies of creating employment by government spending in order to maintain the dominance of capitalist business class (Kalecki 1971). India, being a part of the world capitalist system, has clearly adopted a capitalistic model of growth after the introduction of neoliberal policies in 1991. The government of India has reduced its role in employment generation and commodity-producing activities with an argument that market can play a better role in increasing the efficiency and employment opportunities. The situation can be better visualised from the growth rate of workforce employed in organised public and private sectors (see Table 2). The workers employed in all organised public sector activities have recorded the compound annual growth of 2.10% during the pre-reform decade (1981–91). During this decade, the highest growth was recorded in financial, insurance and real estate activities, i.e., 4.79%. The growth rate of employment in all the remaining occupations has also remained positive during this dirigiste regime. During the 1990s, the rate of growth of employment in all public sector activities has declined to 0.04%. During this period, four activities, i.e., agriculture, hunting, mining and quarrying, manufacturing and construction, recorded a negative growth of employment.

During the period from 2001 to 2010, out of the total public sector activities, only three sectors have shown a positive growth. The overall growth of employment in organised public sector was negative, i.e., -0.89% per annum. This decline primarily occurred on account of decline in public sector investment. Under the hegemony of international finance capital and continuous pressure from the international institutions (World Bank, International Monetary Fund and World Trade Organisation), Indian State has reduced its direct economic role. During this period, State became a facilitator to provide the incentives to private capital in order to ensure its profitability. The government policy of disinvestment and deregulation with an objective to keep the fiscal deficit low and provide the space to private capital leads to the negative growth of public sector employment in organised activities. The decline in public sector share in employment was not

Table 2 Employment Growth in Organised Public and Private Sectors

| <i>Employment in organised public sector (in lakhs)</i> | | | | | <i>Annual compound growth rate (%)</i> | | |
|--|-------------|-------------|-------------|-------------|--|------------------|----------------|
| <i>Sectors</i> | <i>1981</i> | <i>1991</i> | <i>2001</i> | <i>2010</i> | <i>1981–91</i> | <i>1991–2001</i> | <i>2001–10</i> |
| Agriculture, hunting, etc. | 4.63 | 5.56 | 5.02 | 4.78 | 1.85 | -1.01 | -0.49 |
| Mining and quarrying | 8.18 | 9.99 | 8.75 | 11.03 | 2.02 | -1.32 | 2.34 |
| Manufacturing | 15.02 | 18.52 | 14.30 | 10.66 | 2.12 | -2.55 | -2.89 |
| Electricity, gas and water | 6.83 | 9.05 | 9.35 | 8.35 | 2.85 | 0.33 | -1.12 |
| Construction | 10.89 | 11.49 | 10.81 | 8.59 | 0.54 | -0.61 | -2.27 |
| Wholesale and retail trade | 1.17 | 1.50 | 1.63 | 1.71 | 2.51 | 0.83 | 0.48 |
| Transportation, storage and communication | 27.09 | 30.26 | 30.42 | 25.29 | 1.11 | 0.05 | -1.83 |
| Finance, insurance, real estate, etc. | 7.48 | 11.94 | 12.81 | 14.13 | 4.79 | 0.71 | 0.99 |
| Community, social and personal services | 73.55 | 92.27 | 98.30 | 90.51 | 2.29 | 0.63 | -0.82 |
| Total | 154.84 | 190.58 | 191.39 | 175.05 | 2.10 | 0.04 | -0.89 |
| <i>Employment in organised private sector (in lakhs)</i> | | | | | <i>Annual compound growth rate (%)</i> | | |
| <i>Sectors</i> | <i>1981</i> | <i>1991</i> | <i>2001</i> | <i>2010</i> | <i>1981–91</i> | <i>1991–2001</i> | <i>2001–10</i> |
| Agriculture, hunting, etc. | 8.58 | 8.91 | 9.31 | 9.23 | 0.38 | 0.44 | -0.09 |
| Mining and quarrying | 1.3 | 1.00 | 0.79 | 1.61 | -2.59 | -2.33 | 7.38 |
| Manufacturing | 45.45 | 44.81 | 50.13 | 51.54 | -0.14 | 1.13 | 0.28 |
| Electricity, gas and water | 0.35 | 0.40 | 0.52 | 0.64 | 1.34 | 2.66 | 2.10 |
| Construction | 0.72 | 0.73 | 0.57 | 0.91 | 0.14 | -2.44 | 4.79 |
| Wholesale and retail trade | 2.77 | 3.00 | 3.39 | 5.06 | 0.80 | 1.23 | 4.09 |
| Transportation, storage and communication | 0.60 | 0.53 | 0.76 | 1.66 | -1.23 | 3.67 | 8.13 |
| Finance, insurance, real estate, etc. | 1.96 | 2.54 | 3.70 | 15.52 | 2.63 | 3.83 | 15.42 |
| Community, social and personal services | 12.22 | 14.85 | 17.34 | 21.40 | 1.97 | 1.56 | 2.13 |
| Total | 73.95 | 76.77 | 86.52 | 107.87 | 0.37 | 1.20 | 2.23 |

Source: Government of India (2012).

compensated by the private sector. During the period from 1981 to 1991, the growth rate of organised employment in private sector was 0.37% per annum and three sub-sectors (mining and quarrying, manufacturing and transportation and communication) had recorded the negative growth. During the next decade, the annual compound growth rate of employment in the organised private sector would be 1.20%. During 2001 to 2010, the annual compound growth rate of employment in the private organised sector had increased in comparison to the previous decade. During this period, the growth rate of organised private sector employment was

2.23%. But this growth was mainly contributed by the financial, insurance and real estate activities along with transportation, communication and storage facilities.

Government had provided the incentives to the private sector and introduced measures (particularly removal of restrictions on the import of new machines and technology) that made the capital cheaper as compared to labour during this period. This was one of the reasons that the growth rate of organised employment in the private manufacturing sector recorded negative during 1981–91. In the next decade, the growth of employment in this sector was positive but was not very satisfactory. In the period from 2001 to 2010, the growth rate of employment in this sector was only 0.28%. It is clear from the above facts that the higher growth of GDP in India has not been resulting in the real structural transformation of the organised sector labour market, and a modern private manufacturing sector seems unable to absorb the surplus labour of agriculture and allied activities due to the intensive use of labour-saving technologies. The main driver of GDP growth is the increase in proportion of capital relative to that of labour in major commodity-producing activities, and rising proportion of finance and related activities in the overall composition of GDP.

3.2. Structure and Distribution of Workforce

The workforce distribution of population in various activities is presented in Table 3. The data reveal that due to the increased use of capital in agriculture and rising cost of cultivation, the rural as well as urban working population employed in the agriculture sector declined during 1983 to 2009–10. The urban population employed in agricultural activities remained half in 2009–10 as compared to its proportion in 1983. The case was not the same for the proportion of rural population employed in agriculture sector. The proportion of rural population employed in agriculture was 82.5% in 1983 and it has recorded a steady and slow decline in its proportion. During 2009–10, the proportion of rural population employed in agriculture was recorded at 71.10%. It is clear that after the period of more than two and a half decades, the rural population employed in agriculture has recorded only a decline of 10%, whereas the share of agriculture sector in GDP recorded a sharp decline during the same period of time (from 39.93% to 16.93%). The proportion of population, which is replaced from farming (usually small and marginal farmers) due to the unviable conditions of cultivation and unavailability of the low skilled jobs in urban areas, has joined the same occupation at the low degree, i.e., as agricultural proletariat.

The proportion of population employed in construction activities has recorded an increase from 0.80 in 1983 to 8.85 in 2007–08 in rural areas and 4.10 in 1983 to 8.05 in 2009–10 in urban areas, respectively. This increase was primarily due to the rise in infrastructural requirements for the profitable investment of private (both

Table 3 Distribution of Usually Employed Persons (Principle Status + Subsidiary Status) by Broad Industrial Categories

| <i>Sectors</i> | <i>1983</i> | | <i>1993–94</i> | | <i>2004–05</i> | | <i>2009–10</i> | |
|---|--------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | <i>Rural</i> | <i>Urban</i> | <i>Rural</i> | <i>Urban</i> | <i>Rural</i> | <i>Urban</i> | <i>Rural</i> | <i>Urban</i> |
| Agriculture | 82.50 | 20.65 | 80.15 | 16.85 | 74.90 | 12.10 | 71.10 | 9.95 |
| Mining and quarrying | 0.45 | 0.90 | 0.55 | 0.65 | 0.45 | 0.55 | 0.55 | 0.50 |
| Manufacturing | 6.70 | 26.75 | 7.00 | 23.80 | 8.15 | 25.85 | 7.25 | 24.85 |
| Electricity and water | 0.10 | 0.65 | 0.15 | 0.75 | 0.10 | 0.50 | 0.10 | 0.55 |
| Construction | 0.80 | 4.10 | 2.05 | 5.50 | 4.15 | 6.50 | 8.25 | 8.05 |
| Trade, hotel and restaurants | 3.15 | 14.90 | 3.80 | 15.95 | 5.40 | 20.10 | 5.50 | 19.55 |
| Transportation, storage and communication | 0.90 | 5.70 | 1.65 | 5.50 | 2.00 | 6.05 | 2.15 | 5.90 |
| Other services | 4.45 | 25.70 | 5.20 | 30.70 | 4.90 | 28.35 | 5.05 | 30.60 |

Source: National Sample Survey Organisation (NSSO 2012).

domestic and foreign) capital. The workers who were involved in these activities were working on a contract or casual basis. There is an absence of trade union organisation in the construction sector that can fight for their rights. In the present phase of capitalism, the use of contract or casual workers is widespread. Among these workers, a sizeable proportion is female and child labour who were working in low-wage environments. These workers were not eligible for pensions, health insurance, job security or paid holidays. The same is true for the workers involved in trade, hotel, restaurant and transportation and communication activities.

The situation of the manufacturing sector, which is also referred to as a dynamic sector of the economy, is also not presenting a healthy picture in the case of employment generation. The pattern of manufacturing growth under the neoliberal regime of India tends to be such that the responsiveness of employment growth to the growth of output declines. The proportion of population employed in manufacturing activities in rural areas was 6.7% in 1983 and it increased to 7.25% in 2009–10. It clearly shows that the rural industrial sector, which is referred to as labour-intensive in character, was not able to absorb much of the surplus and underemployed rural population.

The picture was also not very impressive in the case of urban manufacturing employment. The proportion of population employed in the manufacturing sector of urban areas has recorded 26.75% in 1983 and a decline rather than increase in its proportion in 2009–10. During 2009–10, the proportion of urban population working in the manufacturing sector was 24.85%. The urban manufacturing sector, which is referred to as a major force behind the urbanisation process and rural-out migration, had failed to provide the productive employment opportunities to the working population. The stagnation or decline in the proportion of manufacturing

sector (both rural and urban) employment is mainly due to low and declining employment elasticity in manufacturing activities, and the growth of this sector is mainly contributed by rising labour productivity. According to Patnaik (2006), due to the import of labour-saving technology, the capital–output ratio and labour productivity in manufacturing activities have increased disproportionately, which emerged as the major cause behind the decline in the requirement of labour for a given production process. The capitalist segment of the Indian economy (usually manufacturing sector) is interested to earn higher profits, that is why they prefer the imported technology for production which is capital intensive in nature. It has emerged as the major reason behind the decline in employment elasticity of this sector.

3.3. Contradiction between Labour and Capital and Jobless Growth

Regarding economic transformation, Lewis (1954) in his celebrated work has provided the alternative way for those economies that has an unlimited supply of labour in traditional activities. He listed the farmers, the casuals, the petty traders, the retailers (domestic and commercial), women in the household and population growth as a major source of labour for the modern capitalist sector. He also criticised Marx's thesis of the reserve army of labour by arguing that the capital accumulation has a tendency to generate the new employment and reduce the size of the reserve army of labour. This clearly presents the misconception of Marxian thesis. Marx had not denied the role of capital accumulation in employment generation. But regarding the role of capital accumulation in employment, he wrote that

in capitalist production process, the accumulation of capital has increased the demand for labour. The rise in demand for labour force surges the wages upward and squeezing the profitability of the capitalist class. In such circumstances a counterforce came into being that would reduce the amount of labour needed for the given level of production with the introduction of new technology in the production process and more capital resulting in the displacement of labour. (Marx 1992, 782)¹

If we apply both (Lewis and Marx) theses on India's economic performance, then data clearly show the jobless growth in neoliberal era, although the rate of investment (so-called capital accumulation) constituted (on an average) more than 25% of GDP after the initiation of neoliberal reforms. Table 4 shows a clear negative relation between the GDP and employment growth. The disproportionate increase in productivity (largely due to the introduction of labour-intensive technology) of labour results in decline in employment opportunities. The elasticity of employment with respect to GDP shows the secular decline in the time period

from 1983–1993/94 to 2004/05–2009/10. In India, the present phase of capital accumulation reveals that the major part of new investment has been made to employ those technologies of production which requires less human labour to complete the circulation of capital to earn higher profits.

Table 4 Growth of GDP, Employment, Productivity and Elasticity in India

| Periods | GDP | Employment | Productivity | Elasticity of employment with respect to GDP |
|-------------------|------|------------|--------------|--|
| 1972/73–1983 | 4.66 | 2.44 | 2.22 | 0.52 |
| 1983–1993/94 | 4.98 | 2.02 | 2.96 | 0.41 |
| 1993/94–2004/05 | 6.27 | 1.84 | 4.43 | 0.29 |
| 1999/2000–2009/10 | 7.52 | 1.50 | 6.02 | 0.20 |
| 2004/05–2009/10 | 9.08 | 0.22 | 8.86 | 0.02 |

Source: Papola (2012).

Figure 2 presents the story of Indian manufacturing sector. It clearly shows that the Marxian thesis of accumulation of capital through introduction of more machines or constant capital is valid, or in other words Lewis' thesis remains impractical in neoliberal India. The figure states that with the introduction of neoliberal policies, the average of fixed capital per manufacturing unit has increased from 33.03 lakhs in the year 1981–82 to 143.25 lakhs in 2007–08. Whereas the average number of workers (variable capital) employed has remained stagnant or declining.

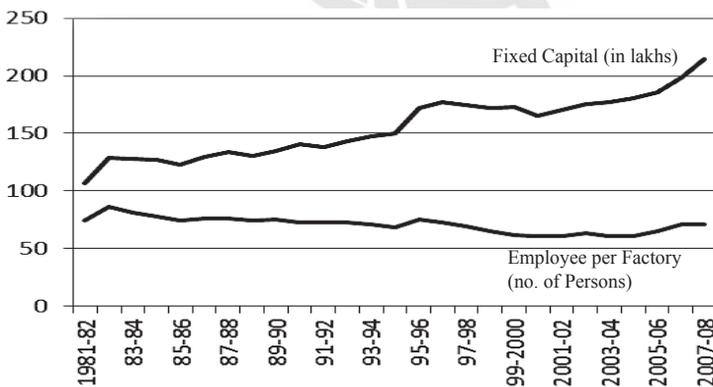


Figure 2 Change in Employment of Fixed Capital and Worker in Manufacturing Sector

Source: Government of India (2012).

In the overall accumulation process, the above analysis shows the disproportionate growth of constant part of capital. One other important fact is that the new

skilled employment opportunities (research and development and capital goods industries) are not able to compensate the workers replaced by these innovations and techniques because the research and development centres of big corporations and major capital goods industries are active outside the Indian Territory. The imported industrialisation based on imported capital goods and techniques requires less domestic workers to produce the higher level of output and profits. These new methods of exploitation through imported industrialisation present the rise in organic composition of capital, i.e., a growth of expenditure of corporate capitalists on machinery and material at the expenses of labour.

3.4. Marxian Conception of Reserve Army and Status of Employment

New economic doctrine, at times reviving old ideas that have been pushed aside by the success of Keynesian economic policies, returned in academic circles and policy discussion under the broad heading of Monetarism. Ironically, Monetarism revived the Marxian conception that a reserve army of labour is needed to keep check on real wages (Bhaduri 2006). There is an extensive discussion on reserve army of labour in Marx's *Capital*. Here we try to examine and apply the Marxian conception of reserve army on Indian employment scenario. Marx had categorised the reserve army of labour into various components. According to Marx (1992, 794), "the relative surplus population exists in all kind of forms. Even the worker belongs to it during the time when he is only partially employed or wholly unemployed." So Marx used the word "relative surplus population" for those who are irregularly employed or employed under uncertain conditions. Marx has identified the three major forms of relative surplus population: the floating, the latent and the stagnant.

The floating population consists of workers who were unemployed due to ups and downs of accumulation process or as a result of introduction of machines in the production process. As Marx (1992, 794) argued,

as large number of workers reach age of maturity, only a small number continue to find employment in the same branch of industry, while the majority are regularly dismissed. The majority forms an element of the floating surplus population.

The latent surplus population is primarily composed of household labour (mainly women and children) and subsistence farmers (usually in the countryside). Marx (1992, 795) mentioned,

as soon as capitalist production takes possession of agriculture, the demand for labour falls absolutely. A part of population in agriculture is, therefore, constantly on the point of passing over onto an urban or manufacturing proletariat. The constant movement

towards the towns presupposes in the countryside itself, a constant latent surplus population.

The third category of relative surplus population is the stagnant population. According to Marx (1992, 795), this forms a part of active reserve army, but with extremely irregular employment. As Foster, McChesney, and Jonna (2011) argued, it includes all sort of part-time, casual workers and what would today be called informal workers. Magdoff and Magdoff classified the members of reserve army—a mass of people living in insecurity of fearful future job perspectives as given below:

- (1) the unemployed (including those officially recognised as unemployed because they have recently looked for work as well as those who have stopped looking because they cannot find jobs);
- (2) part-time and casual workers who have a desire to work full-time but not able to get it;
- (3) self-employed workers doing odd jobs or getting occasional work due to lack of alternative jobs and have desire to get full-time and regular work;
- (4) agricultural labourers displaced by increasing use of capital in the production process and are unable to get any full-time employment in urban areas;
- (5) those not counted among the economically active population but available for employment under changed circumstances (such as prisoners and the disabled; Magdoff and Magdoff 2004, 3).

In the Marxian sense, all the above workers represent the reserve army of labour of one type or another. Here we made an attempt to apply the same criteria to examine the relative surplus population by analysing the status of employment in India (see Table 5).

As far as the status of employment is concerned in rural areas, the pre-reforms (1983) period demonstrates that due to the domination of agricultural activities

Table 5 Distribution of Usually Employed (PS + SS) Persons by Status of Employment

| Years | Status of employment | | | | | |
|---------|----------------------|-------|------------------|-------|---------------|-------|
| | Self-employed | | Regular employed | | Casual labour | |
| | Rural | Urban | Rural | Urban | Rural | Urban |
| 1983 | 57.82 | 39.68 | 8.06 | 42.07 | 33.72 | 18.11 |
| 1993–94 | 58.00 | 42.30 | 6.40 | 39.40 | 18.30 | 32.00 |
| 2004–95 | 60.20 | 45.40 | 7.10 | 39.50 | 32.80 | 15.00 |
| 2009–10 | 54.60 | 41.10 | 6.45 | 40.60 | 38.95 | 18.30 |

Source: National Sample Survey Organisation (NSSO 2012).

in rural India, the proportion of population involved in self-employed activities was more than 50% of the total rural employment. The proportion of population involved in regular employment activities was 8.06% in 1983. During this period, the share of casual workers recorded was 33.72%. On the other hand, in urban areas the higher proportion of population was working as regular workers followed by the self-employed activities during pre-reforms period. The recent data of 2009–10 highlight that the proportion of regular employment has recorded a decline in both rural and urban areas. The proportion of population involved in self-employment activities recorded a decline in rural areas due to capitalisation of production process in agriculture and increased cost of production, which symbolises the depeasantisation or casualisation of workforce in rural India. It is a part of relative surplus population which was displaced by the capitalistic accumulation process from regular farming activities to the irregular employment. The population casually employed in rural areas represents the “stagnant population.” In Marxian terminology, this stagnant population is part of relative surplus population, which was involved in extremely irregular employment. The casual labour emerged as the second major occupation after the self-employment in rural areas. The proportion of rural workers employed as casual workers has increased from 33.72% in 1983 to 38.95% in 2009–10, whereas in urban areas the proportion of casual labour recorded 18.30% in 2009–10. In other words, more than 55% of Indian workforce (rural plus urban) represents only one form of relative surplus population, i.e., stagnant population. These are the workers who had been made redundant by imported industrialisation in urban areas and capitalisation of agrarian relations in the countryside and pushed towards casual or part-time jobs. The other two forms such as the floating and the latent surplus population are also an integral part of accumulation process of capital, which has an important impact on the dynamic evolution of the capitalist system in India. The rapid process of capital accumulation causes the continuous growth of relative surplus population in India because mechanisation and adaptation of capital deepening technology constantly replenishes the floating surplus population. As capitalism destroys the subsistence agriculture production system, it draws a large proportion into the urban labour market as a latent surplus population.

3.5. Unemployment Rate and Absolute Reserve Army

Sweezy (1942) has systematically presented the structure of labour market in a typical capitalist economic setup. As population increases, there is a steady stream of new entrants to the labour market. The movement of new entrants breaks into three parts: those who find jobs (get employment), those who do not find jobs but still active in looking for jobs (trying to be employed) and those who stop finding jobs or remained unable to get jobs (wholly unemployed). The last category

presents the absolute reserve army of labour. It refers to the proportion of working population who are eligible to work but not able to get any work. Table 6 provides the information of officially unemployed workers who are available for work if there is any.

Table 6 Unemployment Rate in India (Current Daily Status Basis)

| <i>Descriptions</i> | <i>1983</i> | <i>1993–94</i> | <i>2004–05</i> | <i>2009–10</i> |
|-----------------------------|-------------|----------------|----------------|----------------|
| Urban | | | | |
| Unemployment rate (%) | 10.55 | 7.46 | 8.28 | 7.1 |
| No. of unemployed (million) | 5.4 | 6.1 | 9.4 | 7.2 |
| Rural | | | | |
| Unemployment rate (%) | 8.85 | 5.61 | 8.28 | 7.2 |
| No. of unemployed (million) | 17.3 | 14.4 | 24.8 | 20.9 |

Sources: Government of India (2007) and National Sample Survey Organisation (NSSO 2012).

During 1983, the unemployment rate in urban areas was significantly higher, i.e., 10.55%. During this period, the unemployment rate in rural areas recorded at 8.85%. The absolute number of urban unemployed persons was 5.4 million and it was three times more in rural areas in comparison to urban areas during the given decade. In 1993–94, there was a decrease in the unemployment rate and it was 7.46% of the urban population. However, the absolute number of urban unemployed persons has increased to 6.1 million (see Table 6). In the case of rural areas, the percentage as well as the absolute number of unemployed persons declined.

Since the 1990s onwards, the government introduced the neoliberal policies in order to accelerate the accumulation process along with an objective to tackle the unemployment problem in India. These policies mainly include the industrial deregulation from several respects. The policy makers were of the view that it would generate enough employment opportunities in the urban industrial sector. But the situation remained the same as the unemployment rate in urban areas recorded at 7.1% in 2009–10. The absolute number of unemployed persons in urban areas has increased and reached 7.2 million in 2009–10. The unemployment rate in urban areas remained higher than the unemployment rate in rural areas during the earlier two periods, and it was recorded almost the same during 2009–10. During this period, the absolute number of rural unemployed persons was 20.9 million. According to government data on unemployment, the combined share of rural and urban unemployed shows that the absolute reserve army of labour (wholly unemployed working population) in India is 28 million. However, these estimates present much lower share of population due to definitional complexities and exclusion of child labour and females who are ready to work in order to meet their livelihood requirements but not able to get any work.

3.6. Capitalism, Informalisation of Employment and Crunch of Insecurities

Every addition in absolute reserve army of labour reduces the bargaining power of active labour. The absolute reserve army of labour plays a positive role in the worsening of working conditions for active workers because it increases the base for capitalists to choose and throw the workers from the production process. The distribution of workers in different types of employment activities presents the situation of workers and working conditions from many aspects. In formal employment activities, workers have some social security in terms of provident funds, medical insurance, etc. But the introduction of neoliberal policies has uprooted the social security mechanism. The present phase of capitalistic accumulation presents the worst form of insecurity for working class. In developing countries, particularly in those economies which introduced the globalisation and liberalisation policies, the share of informal employment has increased very sharply.

Table 7 provides the information regarding the distribution of workers among the different types of employment in India. During 1999–2000, out of the total workers employed in unorganised sector, 99.60% had been involved in informal activities. During the same period, the majority of organised workers (62.20%) had been involved in formal activities. The informal sector was sharing 91.17% of the total employment in both unorganised and organised sectors. In 2004–05, the unorganised informal employment increased to almost 100% (99.64%). There was a sharp increase in informal employment in the organised sector and it was 46.58% in 2004–05. The situation improved slightly in 2009–10 but still remained worst. A mass of workers are living in insecurity and fearful environment. Any

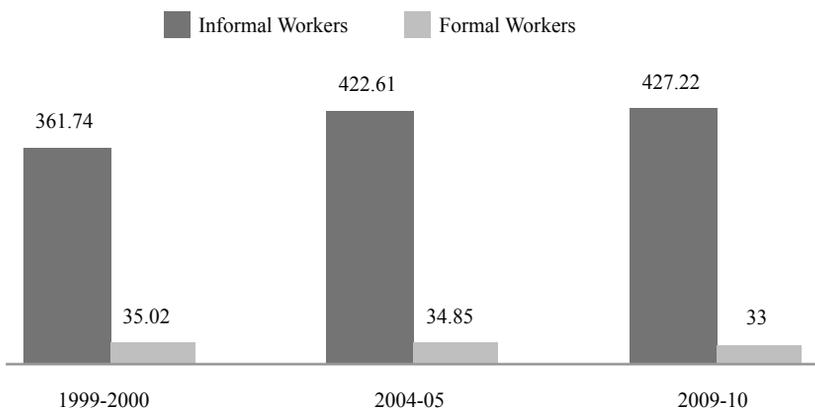


Figure 3 Proportion of Informal and Formal Workers in India (In Million)

Source: National Commission for Enterprises in Unorganised Sector (2007).

Table 7 Distribution of Workers According to the Type of Employment and Sector (Million)

| Sectors | 1999–2000 | | | 2004–05 | | | 2009–10 | | |
|--------------------|-------------------|------------------|-----------------|-------------------|------------------|-----------------|-------------------|------------------|-----------------|
| | Informal | Formal | Total | Informal | Formal | Total | Informal | Formal | Total |
| Unorganised sector | 341.28 (99.60) | 1.36 (0.40) | 342.64 (100) | 393.47 (99.64) | 1.43 (0.36) | 394.90 (100) | 385.08 (99.40) | 2.26 (0.60) | 387.34 (100) |
| Organised sector | 20.46 (37.80) | 33.67 (62.20) | 54.12 (100) | 29.14 (46.58) | 33.42 (53.42) | 62.57 (100) | 42.14 (57.80) | 30.74 (42.20) | 72.88 (100) |
| Total | 361.74 (91.97) | 35.02 (8.83) | 396.76 (100) | 422.61 (92.38) | 34.85 (7.46) | 457.46 (100) | 427.22 (92.80) | 33.00 (7.20) | 460.22 (100) |

Note: Figures in brackets are percentages.

Source: National Commission for Enterprises in Unorganised Sector (2007).

slowdown in capitalistic growth would push them to the absolute reserve army. In India, the Welfare State has become an old day story under the neoliberal policy regime. In the present phase of capitalism, the economic life of a large segment of population (working under uncertain and risky environment) is deprived. The workers are facing multiple insecurities, including employment insecurity, job insecurity, income insecurity, pension or old age insecurity, skill-related insecurity, medical and health insecurity, etc.

Marx used the word “lumpenproletariat” for those workers who are informally employed and working under multiple insecurities. These workers who spread over the informal sector are part of the reserve army of labour. This reserve army is hidden within the officially employed category in India. If we combined the relative surplus population involved in unorganised informal activities, as highlighted in Table 7, with the absolute reserve army (wholly unemployed population), the number would reach 455.22 million. It would surely present the majority of population if we calculate the dependents on these workers who are unemployed and underemployed.

4. Concluding Remarks

The acceleration of economic growth is nothing more than an illusion for a large section of the masses in the capitalist economic structure. In the capitalist setup, higher growth is highly beneficial for capitalist class and it has a tendency to increase the gap between rich and poor because one class (capitalist) becomes more and more rich only if they are exploiting the labour of the other class (workers). So the wealth of the rich class totally depends upon the degree of exploitation. The higher economic growth under capitalist society means higher exploitation. The higher growth rate of Indian economy during the neoliberal regime is characterised by the higher level of exploitation of the working class and pauperisation of them

into worse circumstances of living. The Indian State has joined the international rule of finance capital quite clearly after the introduction of neoliberal agenda. The policy shift or retreat of the State from obligatory spheres under the guidance of international finance capital has undermined the social security and key basic requirement (health and educational facilities) on the one hand and announcement of incentives and subsidies to the private corporate sector for the investment in these two priority sectors on the other hand. Now, the focus of the government policies is targeting inflation through monetary measures. The issue of unemployment and social security is no more a part of government agenda. The budget deficit, which was earlier considered as necessary to carry out government expenditure, is regarded as perilous. After the introduction of neoliberal regime, the production process among the two major commodity sectors (agriculture and industry) has rapidly transformed from labour-intensive to capital abundance techniques. This technological shift leads to the replacement of labour by capital in a given production process and the former has been either thrown into agriculture sector as agricultural proletariat or irregular workers in urban industrial and informal sector. It has made an addition in relative surplus population, because the majority of Indian working population is involved in informal activities (employed without employment stability and social security such as contract, casual and apprentice). This trajectory of growth (introduction of capital-intensive technology and increase in lumpenproletariat) keeps down the real wage rate in organised sector. What would be the future of this population who are working under the shadow of insecure and irregular environment? The proportion of population who failed to get any employment due to introduction of capital deepening technology in capitalist industrial sector would join the rank of absolute reserve army and reduce the bargaining power of the workers who are already employed.

So the need of time is to unionise the workers against the present exploitative socio-economic structure and find the way towards the new socio-economic setup, which will be less alienated and committed for the well-being of the majority of the population. The pro-poor model of growth is not an agenda of private (national and international) capital-driven Indian State. For the building of an egalitarian and equitable society, the first task is to create a rational State. The first step for creating a rational State in post-colonial economies requires concrete understanding of the existing material condition, power relations and power structure along with the motion of history.

Note

1. Marxian analysis of capitalist system is based on the inductive method (from particular to general). He clearly mentioned in the preface of *Capital*, vol. I, that the method used in the book is inductive

which means he started from a unit and reached to the total structure of the capitalist system as a whole. Marx did not deny the rise in employment due to capital accumulation.

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