



Wilting Public Sector And Social Exclusion In India

Dr BINOJ JOSE

ASST. PROFESSOR, PRAJYOTI NIKETAN COLLEGE, PUDUKAD
KERALA, INDIA

Abstract: The number of people employed under public sector is decreasing every year. The peculiar pluralist character of Indian society, with diverse living standards of people, necessitates differential and preferential treatment. There is an alienation of certain sections of people from the main stream of the society due to social, economic, political and economic backwardness. In fact, there subsists social exclusion of such sections of people in India. Looking from the perception of justice, treating 'equals' equally and 'unequals' unequally, the state is coerced to provide positive discrimination. Reservation is the key process of social inclusion. However, reservation has to compromise quality as well as productivity and therefore, unlike in public sector its appliance in private sector is tedious task. In recent times, the government of India has been giving greater emphasis on privatisation in their policy framework. Leaving many posts under the public sector unfilled and promoting informal employment has become another policy of the government. Despite this trend, the demand for employment in public sector is very high. The national employment exchange statistics report discloses that over 433.8 lakhs of job seekers have registered for employment in period 2012-16. This privatisation policy would definitely alter the prevailing reservation statistics and create a very redundant social environment for the people belonging to the backward sections. There is also the dichotomy of raising the percentage of reservation on the one side and falling public employment rate, where reservation is applicable, on the other side. The progress brought about by privatisation would benefit mainly the forward sections of people. Apart from the perpetuation of the existing social exclusion, large scale privatisation would give birth to new socially excluded sections of people.

INTRODUCTION

The peculiar pluralist character of Indian society, with diverse living standards of people, necessitates differential and preferential treatment. The problem is not the diversity but the alienation of certain sections of people from the main stream of the society due to social, economic, political and economic backwardness. In fact, there is social exclusion of such sections of people in India. Looking from the perception of justice, treating 'equals' equally and 'unequals' unequally, the state is coerced to provide positive discrimination. The object of this affirmative action of the state is to create social equity rather than social equality. Reservation is the key process of social inclusion, where the subaltern would get an opportunity to become part of the mainstream. However, reservation has to compromise quality as well as productivity and therefore, unlike in public sector its appliance in private sector is tedious task. In recent times, the government of India has been giving greater emphasis on privatisation in their policy framework. According to the report of Press Information Bureau Government of India, in 2017-18 the number of regular employs under central public sector is 10.87 Lakhs which has been reduced to 8.61 Lakhs in 2020-21. The reduction of employment is more than two Lakhs. Ministry of Labour & Employment Leaving many posts under the public sector unfilled and promoting informal employment has become another policy of the government. Now, India has moved to the third stage of disinvestment by permitting hundred

percentages of disinvestment in five public enterprises as per the strategic disinvestment plan. This privatisation policy would definitely alter the prevailing reservation statistics and create a very tough social environment for the people belonging to the backward sections. The progress brought about by privatisation would benefit mainly the forward sections of people. Apart from the perpetuation of the existing social exclusion¹, large scale privatisation would give birth to new socially excluded sections of people. Employment, being one of the major sources of the economic potential of the people, is essential for the enjoyment of the social and political rights by this marginalised people. From a different perspective, some scholars argue that economic discrimination poses an adverse impact on the progress of economy. “The insights of mainstream economic theory of discrimination indicate that economic discrimination, particularly market discrimination, hampers economic growth, leads to unequal income distribution and deprivation for discriminated groups and creates a potential situation for inter-group conflict” (Birdsall & Sabot; 1991). Therefore, it requires a positive action from the government, either the expansion of the public sector or executing reservation under private sector.

Privatisation and the Employment in India

The recent trend in India shows that the country is marching at lightening pace towards privatisation. In the initial phases of independent India, nationalisation as well as buttressing the public sector was the chief choices of the government. Until the end of the last century, the public sector played a strategic role in Indian economy. Highlighting the significance of the public sector in the social and economic environment, Pandit Nehru called the public sectors as the ‘temples of modern India’. Albeit, in the 1970’s there was a belief that the nation had a mixed economy, there were very strict government regulations and other interventions. Further, the investment in public sector undertaking was growing until 1991. At the time of first industrial policy in 1948, there were only six enterprises under the public sector. In fact, this first industrial policy demarcated the private and public industrial sectors. In 1951 there were only 5 and this number increased with an average of 5 enterprises per year to 244 in 1995 (table.1). Similarly there was a huge jump in the investment in public sectors from Rs. 29 in 1951 to Rs. 172438 Crores in 1995. During this period, Nehruvian socialist perspectives and the socialist ideals incorporated in the constitution emphasised the need for strengthening the public sector in the country. The economic policy during this period was devised to serve for a socialist pattern of society. Together with emphasising the need for strengthening public sector, the industrial policy of 1956 introduced cooperative sector. The development of the public sector enterprises was the major policy directive of the government until the introduction of the new economic policy.

Table.1 Investment in Central Public Sector

Year	Units	Investment in RS
1951	5	29
1961	47	950
1971	179	1,8150
1981	244	99,330
1991	242	2,74,198
2001	242	3,49,209
2011	217	5,79,980

(Source: Department of Investment and Public Asset management, Govt. of India)

The public sector enterprises in India have been a major source of employment, especially for providing jobs with high income and permanency. In fact, this employability of the public sector enterprises played a pivotal role in reducing regional disparities and laid the foundations of socioeconomic development in India. The positive discrimination employed in the employment in the public sector enterprises helped to improve the living conditions of the underprivileged. The new economic policy² of 1991, which introduced the

Liberalisation, Privatisation and Globalisation brought about a colossal change in the employment structure of the country. Indeed, this new economic policy of India has helped in reducing the unemployment rate in India. In 1991 unemployment rate was 4.3% but after India adopted new LPG policy more employment is generated because of globalisation many new foreign companies came in India and due to liberalisation many new entrepreneurs have started new companies because of a abolition of Industrial licensing / Permit Raj so, employment is generated, and due to which India's unemployment rate is reduced from 4.3% in 1991 to 3.6% in 2014 (Ravan; 2014). Simultaneously, the share of the public enterprises in providing employment started diminishing (table.2). The growth rate of the organised public sector fell from 1.13 in the period 1983-93 to 0.1 in the period 1994-2000, while the private sector enterprises increased their share as the growth rate of the employment in the private sector increased from 0.39 in the period 1983-93 to 1.64 in the period 1994-2000. The growth rate in public employment has started to decline after the introduction of new economic policy. The growth rate which was about 6 per cent per year in the mid-1970s fell to a negative 1 per cent in 2002-03 in public sector enterprises (Nagaraj,2017).

Year	Public Sector Enterprises		Private sector Enter Prise	
	Number of people Lakhs	Rate of Change	Number of people Lakhs	Rate of Change
1971	111		67	
1981	155	4.4	74	0.7
1991	190	4.5	77	0.3
2001	186	-0.4	84	0.7
2011	162	-2.4	127	4.3

(Source: Public Enterprise Survey 17-18 Govt. of India & Nagaraj R; 2014)

In recent times, de-nationalisation and disinvestment have become major steering policies of the government. The economic crisis and the global trend favouring privatisation and disinvestment policies in the 1990's forced the government to initiate the New Economic policy in 1991. Disinvestment in India has passed through different stages such as minority disinvestment, Majority or strategic disinvestment and complete disinvestment or privatisation. Some of the industries in India have been brought into the third stage of complete disinvestment. Hundred percentage disinvestments were made in five companies such as Bharath Petroleum Corporation Ltd., the Container Corporation of India, Air India, Industrial Development Bank and the Shipping Corporation. However, Compared to many nations, the privatisation process in India has a slow pace (Kapur & Ramamurti; 2002). Unlike under the central government, disinvestments and privatisation process in the public sectors under the states is very slow. Some states like Kerala and West Bangal are reluctant to the policies of privatisation.

On the contrary to the growing demand for employment under the public sector, the employment provided under the organised public sector is less than 4% of the total population of India. The national Employment exchange statistics of 2018 reveals that around 433.8 lakhs of job seekers have registered under the employment exchange, in which 5.9 lakhs belong to SC and 16.4 belong to SC (Employment exchange statistics; 2017). The central government's share which was 12.4% in 1994 was reduced to 8.5 by 2012. The growth rate of the central public sector employment is -0.4% for the last five years. Compared to some countries like Sweden, Norway, France, Brazil and China the share of public employment in India is low. However, the recent budget of the union government suggests that the employees under the central government would increase to 3.5 million in the financial year 2020-21, with an increase of 75 from 2019-20 (Union Budge 2020-2021) .

Reservation in India

The diversity, especially the diverse living standards, and the social exclusion have been a formidable challenge in India. The social, economic, political and educational backwardness of certain sections of people have engendered poor living standards and their social exclusion. The occupational boundaries created by the rigid caste system is one of the major reasons for this backwardness of such sections of people. Economic exclusion (Singhari & Madheswaran; 2016) engenders social exclusion and consequently, positive discrimination in the employment sector is essential to reduce the economic exclusion. Indeed, the social inclusion of this marginalised group of people is a major policy challenge. Reservation, basing on positive discrimination, is the vital policy of the government for the social inclusion of the marginalised. However, for many decades, reservation issues have been one of the most controversially debated subjects in India. The central rationale behind supporting reservation is to bring the subaltern to the main stream of the society. Considering unequal treatment as a better option in a society where socio-economic inequality prevails, the nation went on with the affirmative action of implementing reservation. Some people justify the system of reservation as compensation to the underprivileged for the injustice they faced in the past. From another perception, reservation acts as a boosting agent to the people of backward sections to compete with the people who have better access to the resources. Further, reservation provides an opportunity to the unrepresented to be represented in the socio-economic and political progress of the nation.

Conversely, reservation strengthens the cast –class consciousness and invites the hostility of the upper sections of the society. As reservation compromises merit, it is more likely to affect the quality and productivity of the work. A good number of people also criticise the utility of caste based reservation policy, especially as people of different generations of the same family continue to enjoy the benefits of it. If a family of two generations have received reservation and are brought into the main stream of the society, the next generations shall not be provided the benefits of reservation again. If they are not brought into the main stream of the society, caste based reservation system has not achieved the aim and therefore, reservation policy is a failure. Moreover, the caste based reservation is vehemently criticised as the backward people of the forward castes are not only benefiting from it, but also their opportunities are getting reduced.

The conflicting demands- the demand for restricting reservation and the demand for expanding reservation - continue to be the major issue in the reservation policies. The reservation policies of the government are primarily governed by the provisions of the constitution. Articles 15(4) and 16(4) of the constitution permit the government to provide special consideration to the members of the backward section. Part XVI of the constitution provides for the reservation of ST and SC in Parliament and state legislatures. The 77th amendment of 1995 incorporated a new clause (4A) in Article 16 enabling reservation in promotion. The 85th amendment of 2001 provided for consequential seniority to the SC and ST candidates promotion by giving reservation. Articles 330 and 332 provide for the specific reservation through reservation of seats of the SC and ST in central as well as state legislatures. Articles, 243D and 233T ensure reservation of ST and SC people in the local self governing institutions. Further, the 103rd amendment of 2019 incorporated the provision for giving 10 percentage reservations to economically backward classes for employment and educational purposes.

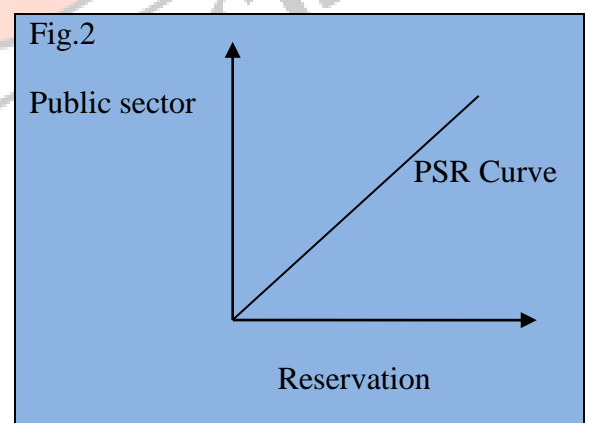
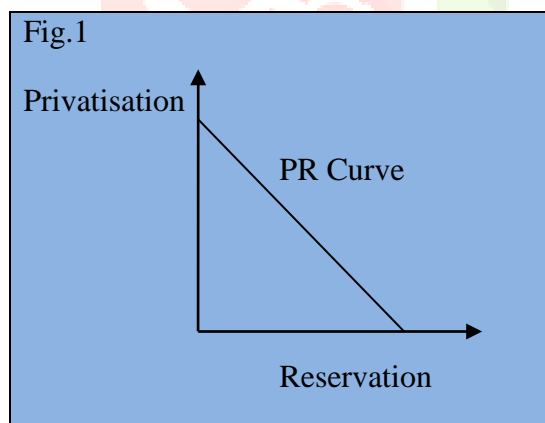
Category	% of Reservation
ST	7.5
SC	15
OBC	27
EWS	10%
Total	59.5

There exists different kinds of reservation in India such as caste based reservation, gender based reservation, minority quota, management quota, state wise reservation etc... Another classification is reservation for employment, reservation for education and reservation in political spheres. Further, the methods and percentage rate of reservation in different states are different due to the demographic diversity. The above

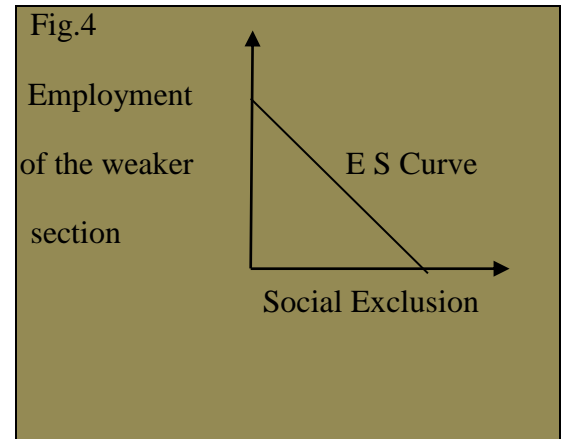
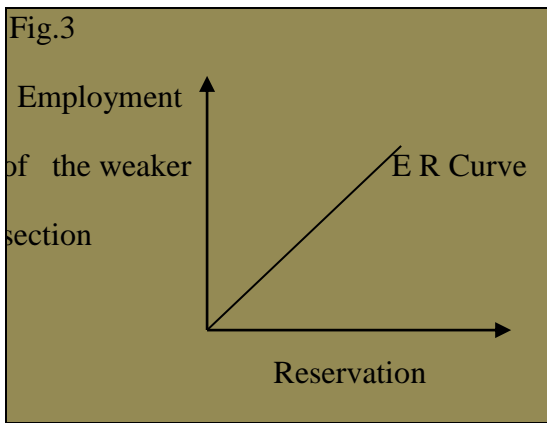
table (table.4) represents general reservation system and the percent of reservation allotted to various sections of people in India. Originally, as per the constitution reservation was provided only to the ST and SC communities and it was for a period of 10 years. The Mandal commission report of 1990 paved the way for reservation of 27% to other backward sections(OBC) and the 103rd amendment of 2019 provided 10% reservation to economically weaker section (EWS). It shows that not only perpetuating existing reservation but also expanding it by increasing its percent as well as bringing in more sections of people into reserved category. Now, the total reservation in India is 59.5 percent. In Indra Sawhney vs. Union of India case of 1992, the Supreme Court of India fixed the maximum limit of total reservation as 50% and now this limit is crossed by the 103rd amendment. The abolition or reduction of reservation in India seems to be an unfeasible task. From the very inception of the constitution, the percent reservation is increasing. What seems viable as well as what we can expect is further increase in reservation. It is not surprising that the reservation might rise up to 100 percent due to the political appeasement policies. This is because in India the majority is the minority, the sum total of the various minorities constitute the majority.

Privatisation and Reservation: the Policy options

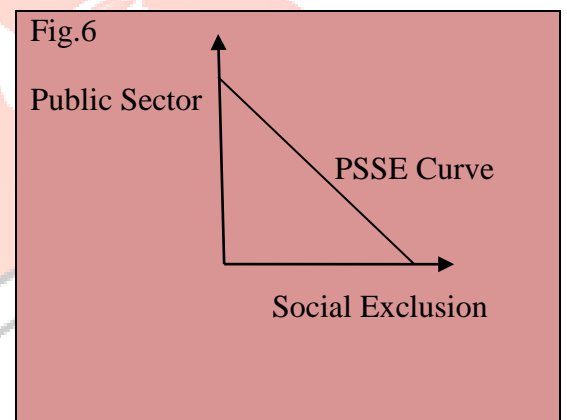
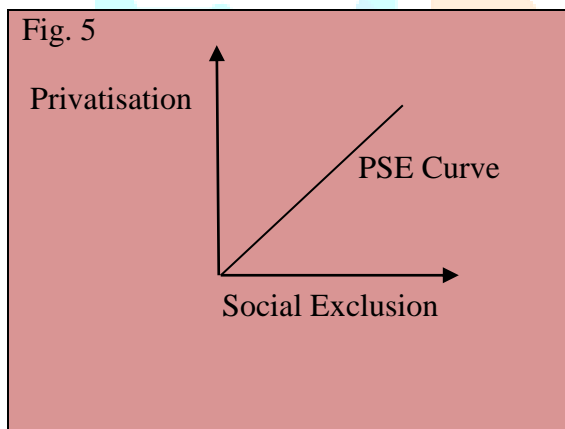
The reduction of public employment due to privatisation causes a parallel reduction in the employment of people of the backward sections. This argument stands on two conditions-a) reservation is the major factor that helps the people of the backward section to obtain employment, and b) reservation is applicable only to public employment. In the first case, the people of the backward section usually receive permanent job with good service conditions in the organised sectors under the public sector. This is because the backwardness of the people prevents them from attaining good jobs under open quota. In the second case, it is very clear that in India reservation is implemented only in the public sector. Recently in a written reply, the minister of Social Justice and Empowerment informed the Lokh Sabha that there is no proposal for reservation in the private sector. Moreover, from the economic point of view, it could be derived that reservation is impractical in private sector. Unlike public sector enterprises where primary target is social benefits, the private enterprises functions with the primary object of profit maximisation. Therefore, compromising quality and productivity shall not be permitted in private sector enterprises and reservation in private sector seems to be quite a distant objective.



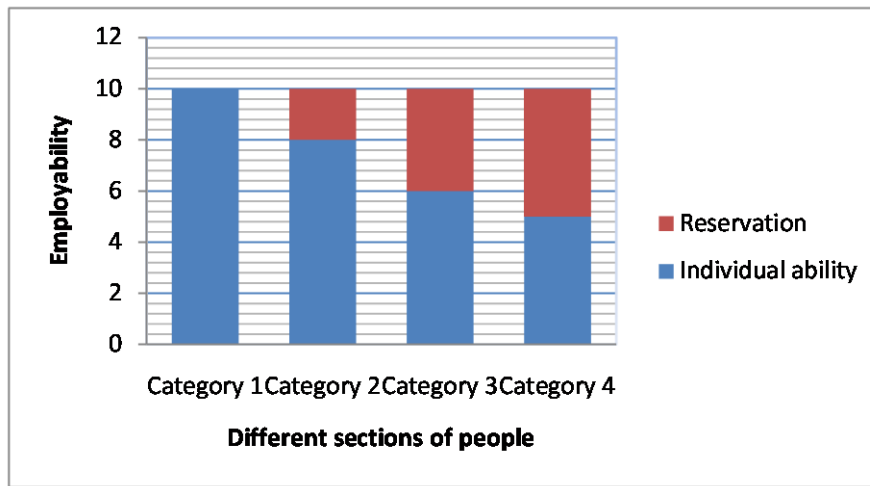
In the above figures (fig.1 and fig.2), the relation between privatisation and reservation, and the relation between public sector and reservation are represented. Privatisation and reservation are inversely related showing that a growth in the privatisation of the public sector shall cause a fall in reservation. The assumption is that the economic conditions and the market forces shall not permit reservation in the private enterprises. Therefore, the P R curve is downward slopping. Conversely, public sector and reservation are directly related, a growth or fall in the public sector causes a parallel growth or fall in reservation. Therefore, the P S R curve is upward slopping form left to right.



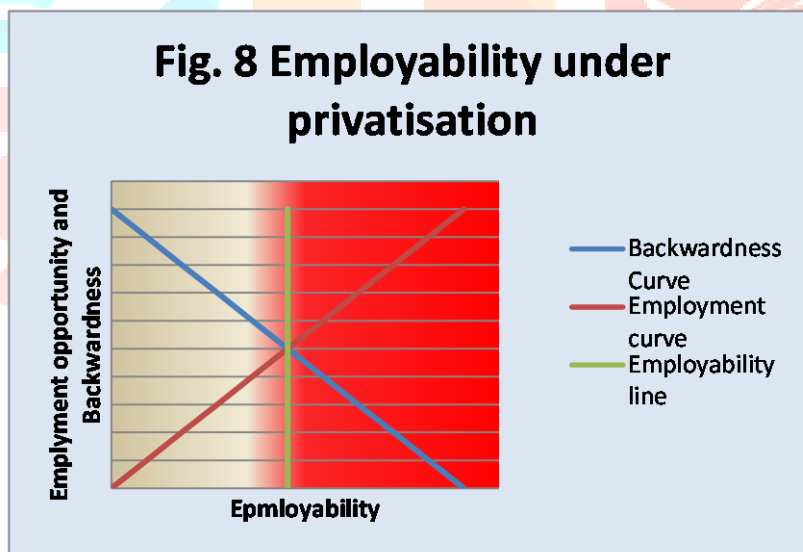
In the above figures (fig.3 and fig.4) the relation of employability of weaker section with Reservation and Social exclusion are represented. In fig. 3 the ER curve is upward sloping from left to right which states a direct relation between employment of the weaker sections and Reservation. Any change in the Reservation shall bring a parallel change in the employment of the weaker sections. In fig. 4, the ES curve is downward sloping from left to right, showing an inverse relation between Employment of the weaker section and Social exclusion. Therefore, a fall in employment of the weaker section shall cause a growth in the social exclusion of the people of the weaker section.



In the above figures (fig.5 and fig.6), the relation of social exclusion with growth of private sector and public sector is represented. There is a direct relation between privatisation and social exclusion. In the fig. 5 the PSE curve is upward sloping from left to right showing that the growth and fall in privatisation causes a parallel growth or fall in Social exclusion, provided that the weaker sections are rarely employed under the private sector especially due to unavailability of reservation. In fig. 6, the PSSE curve is downward sloping from right to left, which indicates an inverse relation between social exclusion and public sector development. The growth of the public sector will reduce social exclusion and a fall of public sector will cause an increase in social exclusion.



Uplifting the weaker section of the society and minimising social exclusion should be the key target of the progressive government. As the government is moving forward with the policy of privatising and reducing the government sector enterprises, one of the options is to implement reservation in private enterprises forcefully. Social justice and social equity should be the driving force of the government in society where inequality persists. In the above figure the employability of different sections of people and the support provided by reservation is represented. On Y axis the point 10 is the point of ability required for obtaining employment. The X axis represents the various sections of the people. Category 1 represents the people of the forward section who do not require any reservation. Categories 2, 3, 4 represents the people of weaker sections who require reservation on various levels. The line on point 10 is the equity point where all the sections are equally capable of attaining employment.



The above figure represents the relation between employment of people and backwardness of people, and the impact of this relation on employability and social exclusion. Even if the public sector enterprises are decreased, enhancing employment opportunities in private sector and reducing the backwardness of the people will enable them to attain good job. Here, one of the assumptions is that the conditions of the people of the backward sections are improved not through reserving employment for them, but through good education and training. Moreover, it is assumed that the expansion of the private sector increases employment opportunities. In the figure, the backwardness curve is downward sloping, showing that the backwardness of the people is getting lessened and employment curve is upward sloping which shows that the employment opportunities are increasing. Employability line passes through the point where backwardness curve and employment opportunity curve intersect each other, showing that the people are capable of getting job in the private sector under open quota. In the figure the red coloured area shows open quota area, where all classes are equally capable of getting employed and there is social inclusion.

However, it requires a very active involvement of the government to reduce the backwardness of the people as well as to create more employment opportunities in the private sector. The labour market forces are to be controlled by the government interventions which very seldom happen in the private sector.

The social exclusion of the weaker sections of people will be a growing challenge under privatisation. Along with the perpetuation of the existing social exclusion, large scale privatisation would give birth to new socially excluded sections of people. Employment, being one of the major sources of the economic potential of the people, is essential for the enjoyment of the social and political rights by this marginalised people. There is an expectation that privatisation will provide marginal or surplus opportunities in employment and education. However, this idea of surplus employment seems to be impractical as there is an equilibrium level of employment beyond which private enterprise shall not employ. The law of diminishing marginal productivity states that beyond such an equilibrium point, the firm will incur negative returns. The question which becomes very relevant here is whether, India has a very conducive socio-economic environment for the expansion of the private sector and to what proportion? There are still a good number of people belonging to the weaker sections in India. Discrimination in the economic sector is still an ongoing process in India. In India, higher-caste employers discriminate against Harijan (so-called 'untouchable') workers. Discrimination by consumers occurs when consumers dislike purchasing goods and services produced by a group, which may be that of Scheduled Castes (SCs) or Blacks. Here the discriminatory behaviour is not based on any objective criteria like quality or price (Singhari & Madheswaran 2016). The policies of the government should equip the marginalised with the capability to acquire employment even under the private sector. Nevertheless, the target should not be sheer the employability of this people but also ensuring better working condition to them, which shall not permit the exploitation of this people. Article 46 of the constitution of India lays down that "educational and economic interest of the weaker sections of people should be preserved and shall protect them from social injustice and all forms of exploitation". The significance of the public sector shall not be undermined merely on the basis of economic profitability. This is because the governing principle of the public sector is social welfare. For an illustration, public transportation will continue to function through uneconomic route and time, incurring loss. A single passenger, going to a remote area at night, will get a bus under the public transportation. It is not profit but the welfare of the passenger is the driving motive of the public transportation. Therefore, it is absurd to adopt a policy of complete withdrawal of the public sector. Indeed, it is rational to expand the public sector along with the private sector. Together with this expansion of the public sector, adequate regulations should be brought in to improve the efficiency of the public sector.

Endnote

1. Social exclusion is "the process through which individuals belonging to some groups are wholly or partially excluded from full participation in the society in which they live" (de Haan; 1997). Therefore it is not sheer economic deprivation but it is social, economic, political and educational alienation of the people from the main stream of society. Social exclusion is a double edged process, as Amartya Sen views some people are excluded where as some people are excluded and both of these exclusions are unfavourable (Sen; 2000).
2. The government announced a New Economic Policy on July 24, 1991. This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model. Prime Minister of the country, P V NarasimhaRao initiated economic reforms with the help of Dr Manmohan Singh. The reforms did away with the License Raj, reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors (Ravan; 2014)

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