

Labor Policy and the Second Generation of Economic Reform in India

ROB JENKINS

During its time in office, the National Democratic Alliance (NDA) government¹ continued the process of economic reform initiated by the Congress government in 1991 and sustained by the United Front government during 1996–98. With the Bharatiya Janata Party (BJP) at its core, the NDA faced not only the problem of managing its extremely diverse coalition, but also the complexities of moving onto a “second generation” of reform – one that required both a broadening and deepening of the agenda, as well as attention to a number of reforms that should, by most accounts, have been accomplished in the first generation, but were not.

Labor reform—along with agricultural liberalization – is often seen as among the most significant pieces of unfinished business from India’s first generation of reforms. A complete overhaul of India’s industrial relations regime – including the conditions under which workers can be hired and fired, the rules governing union recognition, and the mechanisms for resolving employment disputes – is considered long overdue by the World Bank and other observers. India’s restrictive labor regulations are widely regarded as unsuitable for its increasingly globalized economy.

The existence of such first generation “leftovers” highlights India’s unorthodox sequencing of its economic reforms – the result of political compulsions, to be sure, but also of genuine uncertainty among decisionmakers about the right path to follow. At a deeper level, this unusual sequencing calls into question the very idea of there being clear-cut “generations” of reform at all – anywhere in the world, either in theory or in practice.

This paper thus begins from the premise that first and second generation reforms are not, primarily, headings under which it is possible

to list specific economic sectors (agriculture, finance), techniques of economic governance (privatization, fiscal adjustment) or actor-related processes (labor or civil service reform). Rather, each of these familiar agenda items, as well as others not listed, is an ongoing process, consisting of more than one stage of reform.

In assessing the NDA government's approach to labor policy, therefore, this paper does not treat labor reform as either a first or second generation matter. Instead, the relevant criterion is whether the government successfully advanced labor reform from the first to the second generation. For labor policy – or any other agenda item, for that matter – to be considered as having progressed into a second generation of reform, the government must have: (1) moved the issue from the narrow confines of “elite politics” onto the terrain of what the literature has called “mass politics,” and (2) assisted the creation of new (or the resuscitation of existing) institutions of economic management. Both tasks have political dimensions – the former explicitly, the latter implicitly.

This paper contends that the NDA government's performance on labor reform has been mixed. It makes three interlinked arguments. First, like its predecessors, the NDA government has continued to “reform by stealth,” facilitating backdoor policy changes rather than effecting them through overt decisionmaking. This has involved, among other things, relying on state-level leaders in India's federal system to negotiate awkward political dilemmas. Second, though the NDA avoided directly reforming the relevant labor legislation, it nevertheless helped to nudge labor reform onto the terrain of mass politics. Third, while this shift represented an important step in the direction of a second generation reform agenda, on the other key generational milestone outlined above – the building (or resuscitation) of institutions – there has been little progress. Indeed, a case can be made that the institutions necessary to manage the transition to a new labor relations regime have been actively undermined, not least as a result of the Machiavellian politics mentioned earlier.

The paper is structured as follows. The next section discusses some of the alternative conceptions of second generation economic reform, indicating which parts are adopted for the analysis of the Indian case. This is followed by an examination of the ways in which the reform by stealth tradition has been continued under the NDA government. The paper then analyzes the NDA government's performance on the

first of the two criteria associated with a second generation agenda: the movement of reform issues from the terrain of “elite politics” to one that encompasses what has been termed “mass politics.” Next, the paper outlines the NDA's deficiencies on the institution-building front. It concludes by considering how the trends to date may influence the willingness and capacity of the NDA's successors to continue the process of restructuring India's labor regime.

Mapping Reform's Second Generation

There is no universally accepted definition of what constitutes a second generation reform agenda. It is nevertheless worthwhile to get a feel for how various analysts have approached the idea of second generation reform, even if there is no compulsion to buy into one model entirely.

Second generation reforms are often conceived of as delving deeper into sectoral specificities. They are, in effect, micro-reforms relating to a particular domain of activity. For instance, USAID's continuation of its support to restructure financial sector institutions in India involved PricewaterhouseCoopers advisors supporting “a second generation of reform in the Indian financial markets” that would “focus on strengthening the oversight and risk management capacity of the regulators and self-regulatory organizations, advancing disclosure standards and information dissemination, expanding investor education, and supporting insurance and pension reforms.”² This version of second generation reform equates deepening with detail.

At the other end of the spectrum is the view advanced by John Williamson, who at the beginning of the 1990s coined the term “The Washington Consensus.” More recently Williamson outlined what he saw an emergent *post-Washington* consensus. In advocating a gentler form of market-oriented economics, with a major role for flexible (rather than dogmatic) international financial institutions, Williamson occupies a similar intellectual niche as Joseph Stiglitz.³ In a recent book, *After the Washington Consensus*,⁴ Williamson and his co-editor delineated the contours of this consensus. That he felt this message was relevant to the Indian context was reflected in an article Williamson published in the Mumbai-based *Economic and Political Weekly*, in which his argument was adapted for a readership concerned primarily with India.

The four key elements in Williamson's agenda for a post-Washington consensus world are: a concern with “crisis-proofing”; completing and, where necessary, correcting first generation reforms;

complementing them with second generation economic reforms; and broadening the agenda to include a concern with income distribution.⁵ In his approach to second generation reforms, Williamson argues that we need a broader view of institutions than is found in most of the existing literature. Institution-building, he maintains, is not just about "creating budget offices or Securities and Exchange Commissions." Instead, priority must be accorded to reform of the judiciary and the civil service as well as the national legislative framework governing labor relations. Even this capsule summary of Williamson's approach reveals two key points of relevance for the arguments advanced in this paper. First, labor reform is as much about building institutions, broadly conceived, as it is about relaxing regulations. Second, according to Williamson, second generation reforms are not *equivalent* to the post-Washington consensus agenda, but rather a *part* of it.

This vision of second generation reform is generally consistent with much of the recent literature. Other views of second generation reform, for instance, include issues of equity within their definitional scope, so are fairly equivalent to at least a part of Williamson's "post-Washington consensus." Using India's first ten years of liberalization as one of their case studies, Barton *et al.*, like Williamson, also place the management of crises at the heart of the second generation agenda.⁶

World Bank president James Wolfensohn shares Williamson's belief that the second generation of reform inevitably includes the unfinished business from the first generation. Wolfensohn sees the "first and second generations [as] *not* being sequential." Indeed, he maintains "that the first and second generation actually coalesce in terms of timing."⁷ The explicit inclusion by Williamson and Wolfensohn of first generation leftovers in their respective definitions of the second generation agenda is a useful reminder that the process of building (or in some cases resuscitating) institutions – a central component of the second generation – is constrained by the political complications that arise when trying simultaneously to clear the backlog from the first generation. The implication is that institution-building does not proceed in ways minutely modeled in rational-choice theory: the incentives are less predictable and the sequencing is messier. When critical processes run in parallel, rather than serially, the neatly ordered causal arrows found in reform blueprints are thrown hopelessly out of alignment.

Like Williamson, Wolfensohn also maintains that "[t]he second generation issues focus around the questions of the structure of the

right institutions, of the improvement of the administrative, legal, and regulatory functions of the state, addressing the incentives and actions that are required to have private sector development and to develop the institutional capacity for reforms." Again echoing Williamson, Wolfensohn contends that issues of equity, social justice, and participation are also an integral part of the second generation agenda: "I would add to the list of second generation reforms a social framework that can allow you to deal with the people that fall out of the loop." Development and social change, moreover, is "something that must be owned by the society itself" through widespread engagement in public debate and deliberation. "Second generation reforms must also address the very important question of how you build consensus in a society."⁸ There are clear echoes here of the mass politics criterion adopted for this paper's analysis of the NDA government.

Wolfensohn's approach is consistent with the World Bank's official view, adopted as policy under his leadership in the late 1990s, that second generation reforms will inevitably mean different things in different countries. The World Bank's *Annual Report* for 1997 used the example of the South Asian region to demonstrate this point:

As the first wave of reforms that started in the early 1990s gained roots [in these countries] the Bank helped ... shift the focus to a second generation of reforms. In India this involved addressing reform at the state level, and in Bangladesh and Pakistan it involved addressing governance issues, which, though long present, have become key constraints to reform.⁹

Many Indian civil society organizations involved in policy advocacy work have adopted definitions of second generation reforms similar to Williamson's and Wolfensohn's. The Consumer Unity and Trust Society (CUTS), based in Jaipur, but with offices in London, Nairobi, and Lusaka, argued in its 2003–04 memorandum to India's finance minister, part of the pre-budget consultation process, that India was only just "witnessing the beginning of the second-generation economic reforms." CUTS saw "the Competition Bill, Electricity Bill, [and] Right to Information Bill" as "pillars of the second-generation economic reforms."¹⁰ CUTS' approach is representative of a large swathe of opinion – including, as we have seen, the World Bank – which recognizes that a "necessary condition for the success of the second-generation

economic reforms is good governance through peoples' participation in the reform process."¹¹

While clearly there are many ways to define what constitutes the second generation of economic reform, what emerges from this brief review of the literature is that the transition from the first to the second generation is more a matter of conceptual orientation and approach than it is a question of assigning specific agenda items to rigorously defined categories. In practical terms, the sequencing of tasks is messy and unpredictable. This justifies an analytical strategy which, for any given reform issue – such as labor policy – assesses government performance in terms of its ability to progress from a first generation to a second generation *approach* to that issue. Such a shift can, moreover, be judged on the basis of two broad indicators suggested by this review of the literature. The first is whether the reform issue has been moved from the confines of “elite politics” to the broader terrain of “mass politics,” a distinction to be spelled out in greater detail later in this paper. This relates closely to what Wolfensohn's discussion of second generation reform called “the very important question of how you build consensus.” The second indicator of transition to the second generation is also suggested by the literature: evidence of government efforts to create new (or resuscitate existing) institutions, broadly conceived.

Before proceeding further, three clarifications are in order. First, because of the encompassing nature of labor issues, the analysis in this paper touches on other policy domains to a limited degree. Trade policy is, to an extent, a labor issue; so is privatization. These are discussed insofar as they impinge on the political environment within which labor reform must unfold.

Second, the paper does not equate labor reform with the repeal of labor *laws*. While, as we have seen, a broader view of institutional reform means expanding one's view of what constitutes an institution, it equally involves recognizing that the “reform” part goes well beyond legislation. There are other aspects of labor reform that are not the result of law. In fact, many are downright unlawful: the use of paid muscle to undermine dissident groups within local trade unions and the outright control of some labor organizations by organized crime.

Finally, whatever argument I am making about the NDA government's ability to advance along some, though not all, dimensions of the next generation reform agenda, its strategic capacities could well have been rendered moot – of no effective influence – had not other

enabling factors been in place. For instance, it is questionable whether the liberal thrust of reform could have been maintained had not India's economic performance been as generally positive as it was during the NDA's period in power. While certain macroeconomic indicators, like the fiscal deficit as a proportion of GDP, took a turn for the worse under the NDA's stewardship, there was plenty of good economic news for the government to trumpet: relatively high annual GDP growth; foreign exchange reserves that stood in great contrast to the dire 1991 situation; and the fact that (for at least one financial quarter in 2003) India was able to balance in its current account for the first time in a quarter-century. And all of this took place in a context of low inflation; this is critical as India's polity is notoriously averse even to what by the standards of other developing countries would be considered mild inflation.

The NDA and Labor Policy: Reform by Stealth Continues

Reflecting on the challenge that faced his government as it sought to transform India's statist economic policy paradigm upon assuming office in 1991, former prime minister P. V. Narasimha Rao put it this way: “what it really entails is a complete U-turn without seeming to be a U-turn.”¹² This view is consistent with my own earlier characterization of the politics of economic reform in India. In a study which focused on the period 1991–98, I argued that the reorientation of India's development strategy could be seen as a process of “reform by stealth,” an approach made possible by a combination of three factors: the political-management skills of India's politicians, the fluid institutional environment within which they operated, and the political incentives thrown up by the initial policy measures they employed to address the 1991 economic crisis.¹³

These factors have been just as relevant during the subsequent period of BJP-led coalitions, from 1998 to 2004. The NDA government adopted similar means to its predecessors in power. Echoing a characterization often applied to Narasimha Rao, one of prime minister Atal Behari Vajpayee's long-time political colleagues called him “a master of ambiguity,” who “sends different – sometimes wholly incompatible – messages to different communities.”¹⁴ It is thus perhaps not surprising that the process of pursuing reform quietly – avoiding conflicts until propitious moments, dividing opponents, using illiberal methods to achieve liberal ends – persisted under the NDA government. Some of

the means employed have remained the same since the days of Narasimha Rao; others have recently emerged.

One that has long been used is the voluntary retirement scheme (VRS). While VRSs are not a substitute for the official "exit policy" sought for so long by India's private sector, they contribute to solving the surplus labor problems of many firms. One analysis of the human resources profile of India's 30 highest grossing firms found that these companies have cut almost 90,000 jobs since 1998. It should also be noted that "this does not include the major companies of the Tata and Birla Groups that were too shy to reveal their numbers"¹⁵ – an indication of how difficult it is to obtain precise figures on this phenomenon. The element of stealth involved is not just that VRSs perform some of the functions that policymakers are too politically timid to effect by means of policy; other, more flagrant, sins of omission are involved. Voluntary retirement schemes are often far from voluntary. Sometimes muscle power is used to intimidate workers. In other cases, firms have been able to rely on the threat of keeping an employment dispute tied up in tribunals for so long that workers will never receive any payment if they refuse to sign up, voluntarily, for early retirement.¹⁶ Even a hint that a company will be launching a VRS nudges unions to the negotiating table, since union leaders know that rank-and-file members are inclined to take voluntary retirement, lest they receive nothing. This leads to more pliant union negotiating positions on wages and working conditions – achieving, at least in part, what government labor reform would have. The use and abuse of VRSs softens up organized labor for more explicit policy reforms in the future – both by depleting its numerical strength and by reducing the trade union movement's faith in the state's willingness to protect the interests of workers.

The NDA government has also, like its predecessors, sought to chip away, gradually, at labor rights, rather than making a grand public gesture. Rather than announcing a comprehensive labor policy, the government has addressed one micro-issue at a time, often (as we will see) one state at a time. Like the Narasimha Rao government, the NDA's political managers were fond of burying several small doses of unpleasant news amidst large policy announcements. For instance, in 2002, in declaring its intention to promote a series export processing zones (EPZ) and special economic zones (SEZ) that would help India live up to its alleged "trading superpower" potential, the government had proposed to classify such zones as "public utilities." This would

require employees of firms in these zones to provide 45 days' notice before going on strike – a substantial increase on the existing 30-day provision. Public discussion focused on whether the new zones could counter China's trade prowess, which was portrayed as the major threat to Indian jobs. Moreover, at the time the "public utilities" provision was added, unions were already preoccupied with opposing government proposals to amend the Industrial Disputes Act (IDA) to expand the number of firms exempted from rules prohibiting worker redundancies without state government permission.¹⁷

A certain *sui generis* mastery of political opportunism also played its role in the NDA's pushing forward, albeit slowly, on labor policy reform. Prime minister Atal Behari Vajpayee and his team were not above playing on personal ambition when seeking to secure the cabinet's agreement to policy changes. From 2000 onwards, when reforms to the IDA were being promoted by a small group around the finance ministry and the prime minister's office (known as the PMO), the opposition of the then labor minister, Satyanarayan Jatiya, began proving politically embarrassing. Replacing the recalcitrant Jatiya with a supporter of these labor reforms, however, would have provoked widespread criticism – and public attention – so the PM's men selected a known opponent of the reforms, Sharad Yadav, who was told that he could have the job if he would remain relatively quiet on these matters. The PMO had accurately gauged the desire of Yadav and his party for a visible cabinet position. They knew that at least for the short term – all that was needed to push these reforms through the cabinet – issues of policy content would take a backseat to ambition.

Another key element in the process of reforming by stealth is federalism. There are three main reasons why a federal system is useful to practitioners of stealthy reform at the center. First, competition is created among subnational jurisdictions for investment. This tends to drive down regulatory standards by default, with state governments providing in many cases private assurances to potential investors that labor regulations will not be enforced. For reformers in New Delhi this is a useful substitute for the policy changes that are deemed too politically risky at a given moment.

Second, thanks to India's federal structure, political forces that present a formidable political force at the all-India level – like the trade union movement – can be tackled one state at a time. This suits reformers in Delhi. Quarantining disputes at any given moment

within a single state means squaring off against unions sequentially, rather than simultaneously, as would be the case if national trade union federations functioned better.¹⁸ For instance, the murmurs of opposition in Madhya Pradesh when the state government relaxed labor laws for firms in the Indore export processing zone (EPZ) were insufficient to attract the attention and support of labor leaders in neighboring states, who were busy fighting their own battles.¹⁹ This trend is not going unanswered, of course, as organized labor adapts to this new federalized political environment. It is, for instance, increasingly at the state level that cross-party groups of unions have worked together most assiduously. In 2002 in Kerala, to take just one example, three different unions – the Bharatiya Mazdoor Sangh, the Centre for Indian Trade Unions, and the Hind Mazdoor Sangh – joined hands to protest the (Congress-led) state government's plans to water down regulations relating to "headloaders," or porters.²⁰ The state government had taken a stern view of what it called the "extortionary, intimidatory or unlawful practices" among laborers and unions alike.²¹ The unions in Kerala have not had much success in sustaining this state-level marriage of convenience, but even their short-lived unity was more than their counterparts in Delhi usually manage.

The third benefit of federalism to central reformers seeking to expend as little political capital as possible in enacting contentious reforms is policy learning from state to state – and even from the state to the central level. This last category is perhaps the one that has been most neglected by analysts of reform politics. Some state governments are reform trailblazers in certain policy areas, and this helps later travelers on the path of reform. In the cabinet debates around the proposed amendments to the Industrial Disputes Act (IDA), for instance, there was explicit discussion of precursor state-level legislation from Maharashtra. Maharashtra's legislation increased the number of employees a firm could have and still be exempt from the provisions of the relevant "exit" regulations, which require approval by the state government to retrench workers or close down an enterprise. Discussion of the Maharashtra act was said to have played a role in selling to the cabinet proposals pushed by the Government of India's finance ministry. Insiders vouch for the fact that "the example of Maharashtra's Industrial Act was cited by the pro-amendment ministers led by finance minister Yashwant Sinha."²² The Maharashtra government had, through example, provided a powerful argument to otherwise cautious coalition managers

in New Delhi. The announcement of cabinet approval for these amendments to the IDA was greeted by a statement from the head of the Federation of Indian Chambers of Commerce and Industry (FICCI) that "The second generation reforms have started with a bang."²³

The government of Andhra Pradesh under former chief minister Chandrababu Naidu was a trailblazer in some respects, even if many of Naidu's reforms proved to have more flash than substance.²⁴ Andhra under Naidu was the first state seriously to overhaul its contract labor regulations. This won Naidu accolades from industry associations, particularly the textile lobbies.²⁵ What most pleased the private sector was that the amendments to Andhra's contract labor rules introduced a distinction between "core" and "non-core" activities in an industrial firm. The regulatory changes permitted employers to hire contract labor in ten non-core activities and also to appoint casual workers to intermittent employment in any area of work even if it was designated a core activity. Indeed, it is at the state level that some of the more "difficult" issues are being tackled.

The knowledge shared between states concerns the politics of reform as much as it does the merits of the economic policies themselves. For instance, the Southern India Engineering Manufacturers' Association (SIEMA), noting the action taken in neighboring Andhra Pradesh, made representations to the government of Tamil Nadu – through meetings and correspondence with the state's secretary of labor and employment – asking it to consider redesigning the state's contract labor legislation and regulations, such as the Tamil Nadu Industrial Employment (Standing Orders) Rules 1947, so that certain jobs would not be designated as "core activities" and so that fixed-term employment at peak periods could be semi-regularized.²⁶ Such a change would allow the firms to use more temporary, contract employees, creating huge savings in terms of both direct wage costs and associated employer costs (provident fund contributions, sick pay, automatic pay increases, and so forth).²⁷ Touting these benefits, the SIEMA president, whose lobbying efforts referred specifically to the need to increase competitiveness to adapt to globalization, went so far as to draw on testimony from industrialists in Andhra Pradesh with first-hand knowledge of the new ("model") contract labor regulations in that state. These Andhra businessmen had in fact recommended further reforms. The SIEMA (and most other employers in Tamil Nadu) sought rule changes that would permit them to hire contract

laborers for core functions as well – in circumstances when, as they put it, there are specific “time-bound” needs for extra human resources.

What these examples demonstrate is that state-level labor reforms, occurring as they do in an open, competitive environment, lead not only state-level governing elites, but also (as we have seen) private sector actors, to monitor developments in other jurisdictions. These actors seek out policy innovations, and (as importantly) monitor the political reactions to these changes.

Some industry associations have cited Naidu’s reforms as an effort to convince the central government to permit contract labor in the textile sector on a nationwide basis.²⁸ This highlights the importance of the “adaptation to globalization” discourse that pervades discussions of labor policy, and for good reason. At the end of 2004, the international textile trade will experience a major regime change, in which national quotas will no longer govern access to rich-country markets. This will require adjustments of many sorts from economic agents as well as holders of state power. There is some limited evidence that India’s public agencies (particularly at the state level) have begun to adapt themselves to what will be their new role under the new textile trade dispensation: facilitating adaptation, and helping to cushion some of the losers from economic transformation. But, as Errol D’Souza has argued, this will require a much greater transformation in the way in which policy is made – in particular the nature of the relationship between government and industry. Civil servants will have to engage on a sustained basis not just with industry associations, but also with independent scientific research institutes, policy-oriented think-tanks and others that are close to the private sector, but not of it.²⁹ The new approach to “facilitating upgradation,” to use D’Souza’s term, has implications for the state’s *de facto* labor policy.³⁰

There of course remains the question of whether labor policy reform is a crucial agenda item at all. Those who think its importance has been oversold sometimes share the belief that the reason why governments have consistently delayed taking action on labor reforms is that there is little economic advantage to be had, and a good deal of political hazard. D’Souza argues that India’s textile association representatives increasingly came to realize that labor costs were not the key issue, and that their lobbying energies were better expended on seeking to persuade various agencies of the central and state governments that other issues, like the allocation of hank yarn, de-reservation (out

of the small-scale sector) of garments production, and so forth, were far more critical.³¹ Chandrasekhar and Ghosh argue that:

in the ultimate analysis, labor laws are perhaps far less significant as factors in affecting private investment, than more standard macro-economic variables and profitability indicators [such as] ... the condition and cost of physical infrastructure, the efficiency of workers as determined by social infrastructure, and the policies which determine access to credit.³²

Indeed, has not India’s economic performance since 1991 demonstrated that growth and investment can proceed *without* far-reaching reforms to labor markets (even if, counterfactually, one could imagine it having achieved even better performance had reforms been enacted)? This argument is even more compelling if we go further back in time, to the early 1980s, the period when, as Rodrik and Subramanian remind us, the current era of India’s higher than usual economic growth began.³³

Research by Besley and Burgess suggests otherwise. Labor reform, they argue, *does* in fact affect various performance indicators. Rather than looking at the post-1991-reform period, Besley and Burgess examine state-wise data from 1958 to 1992. They compare states in which significant “pro-worker” additions to labor legislation were made with those in which there were relatively few such amendments. States with fewer regulatory restrictions had, on the whole, higher investment, employment, productivity, and output in registered manufacturing than those that adopted pro-worker measures. But it is not just the efficiency side that suffers from ill-judged attempts to legislate in favor of workers. Repeal of such measures could also, on the evidence produced by Besley and Burgess, be advocated on equity grounds. “Pro-labor” regulations appear to be correlated with increases in urban poverty, which to the authors “suggests that attempts to redress the balance of power between capital and labor can end up hurting the poor.”³⁴

Whether or not labor reform is indeed such an urgent matter – and Besley and Burgess’ findings have been criticized on methodological grounds – labor policy is certainly perceived to be an important area of reform. This lends urgency to the question of whether and how governing elites are able to shift the politics of labor reform from the

politics of elite-level bargaining to one in which the issues enter the domain of "mass politics."

The Shifting Terrain of Economic Reform: From Elite to Mass Politics?

There is a close affinity between, on the one hand, a reform by stealth explanation for the political sustainability of reforms during the 1990s – which, as noted earlier, involved a powerful combination of political incentives, skills, and institutions – and on the other, the explanation advanced by Varshney, which is based on a distinction between "elite politics" and "mass politics" in the process of economic reform.³⁵ Varshney argued that during most of the 1990s India could sustain liberalization in the face of ideological and interest group opposition because the reforms were not a matter of concern for the great mass of India's polity. There were two aspects to this lack of mass attention. The first was the nature of political cleavages in Indian society – that is, the relationship between identity politics and reform politics. Identity politics, Varshney argued, were the *primary area* of mass concern in Indian politics. The economic policy matters that consume so much newsprint are primarily of interest only to an elite. The Centre for the Study of Developing Societies election surveys show the lack of awareness and interest of voters, during 1996 and 1998, in issues of economic liberalization.³⁶ The second dimension of the lack of mass attention to economic policy issues involved the nature of the reform program itself: the reform agenda during most of the 1990s steered clear of the issues of great popular concern, such as cutting agricultural subsidies or deregulating industrial relations – two of the most prominent items of unfinished business on the reform agenda.

There is an important point of complementarity between the "reform-by-stealth" and "no-mass-politics" explanations for the political sustainability of reform: it was politicians' skillful deployment of stealthy tactics – to harness emerging incentives and to manipulate adaptable institutions – that was part of the reason *why* India's paradigm shift could remain off the mass political radar. To achieve this U-turn without seeming to perform a U-turn, to paraphrase Narasimha Rao, required these tactics and skills to be deployed in the arenas of both mass politics and elite politics. It involved, for instance, both the manipulation of *mass* public opinion and the use of deceptive tactics when negotiating with *elite* business constituencies whose desire to

maintain the status quo were in no way driven by a concern for the public interest.

To what degree – and according to what strategic pattern – has the NDA era seen the politics of labor reform in India shifting onto the terrain of mass politics? Varshney's otherwise useful distinction requires three modifications in order to apply it to this question.

First, for the purpose of analyzing the decisions and actions of a government *over its term in office*, the elite/mass distinction must be conceived as more of a continuous rather than binary variable – as representing a spectrum rather than a clear dichotomy. Any *individual reform issue* can be seen as either mass- or elite-oriented, as long as an income group disaggregated impact analysis is conducted, and the results are reported from the relevant perspective. But when we look at the actions of governments over a span of time (say, a term in office), then we are interested in the *proportion* of actions that have involved mass-affecting issues.

The second refinement required to the elite-mass framework is to highlight the agency needed to shift the terrain of mass politics to elite politics, and vice versa. This is what skilled politicians do. Hence, whether a particular reform dilemma is best characterized as in the domain of mass or elite politics is not fixed, but can itself be affected by other factors specific to the situation under analysis, including the strategic actions of governing elites.³⁷

The third refinement to the use of the elite-mass framework has been, in effect, suggested by Varshney himself. His argument is not just that governments will increasingly have to execute reforms on issues of *mass concern* – as they already have since his article was published – but also that in order to do so effectively, an *articulation of the market and its relations to popular values* would have to be undertaken in the realm of mass politics. As Varshney put it in another context:

in few countries have ... reformers been voted in power due to the commitments of masses to a market-oriented strategy. At the mass level, the links between markets and mass welfare are not easily understood ... [yet] few politicians are emphasizing the links between markets and mass welfare. Political language and rhetoric aimed at creating a mass constituency for reforms are not generally in evidence, and arguments that reforms can make life

better for the masses, not simply for the middle class and the rich, has not emerged as an electoral argument in mass politics.³⁸

On each of the three refinements to Varshney's framework it is possible to make a case that the NDA government has taken labor policy reform onto the terrain of mass-oriented politics, which is of course just one of two dimensions of the transition from the first to the second generation.

First, while the NDA government avoided many of the most salient mass politics issues – had it not done so, it would be criticized for un-strategic sequencing – during its term in office there was a significant increase in the *proportion* of its reforms relating to labor that were rooted in mass politics. As we have seen, the government surmounted certain key hurdles in the process of reforming labor laws – while, as we have also seen, getting state governments to do even more on this front. And despite problems encountered late in its term when seeking to sell off stakes in two high-profile state enterprises in the energy sector, there was considerable progress on privatization, an issue very closely aligned to labor issues because of the large unionized workforce in the public sector.³⁹ Again, there was less progress on privatization than advocates wanted (or in fact than the government budgeted for in terms of disinvestment revenues), but more than previous governments had accomplished. Other government policy changes that contained a labor dimension related to mass political concerns were tariff reductions prompted by India's World Trade Organization (WTO) commitments. These included the removal of quantitative restrictions on more than 1200 product categories following a WTO dispute settlement ruling that went against India in 1999–2000. These caused great concern among not only business owners in these sectors, but also among labor leaders.

With respect to the second refinement to Varshney's framework, the NDA government demonstrated its capacity to turn labor reform dilemmas that could have become mass politics issue into elite politics issues. These are more susceptible to resolution through behind-the-scenes negotiation. The main tactic employed to work this political alchemy was skillful delay and the concealment of reformist intent. It is helpful in this connection to refer to what Ahluwalia – one of the major actors in the process of planning and executing at least some of India's economic reforms – called “a special type of gradualism.”⁴⁰

This classification was made in the context of discussing some of the background dynamics that affected shifts in the evolution of privatization in India – from what might be considered the first to the second generation. But Ahluwalia contends that the practice of this “very special type of gradualism ... characterized many other reforms in India”⁴¹ – labor among them, I would argue.

The chief trait of this political approach is its capacity to undermine the ability of opponents of reform to calculate the costs and benefits of reform, or the costs and benefits of open protest.⁴¹ If opponents consider reform objectives limited, they can refrain from precipitate action, in the hope of retaining useful relations with key politicians. What makes the type of gradualism pursued in India “special” is that the ultimate reform destination (to be reached gradually) is not disclosed at the outset of the process. In India such intentions were usually concealed. Policy then

evolved in a “one step at a time process” in which the full extent of change envisaged was not clearly spelt out initially. Indeed even the intention to take further steps was at times denied. At times, it was also a reflection of political expediency, i.e. policy makers may have intended to go further in due course, but it was felt politically inconvenient to spell out all the stages at the beginning. At times, this reflected genuine uncertainty about the extent of change envisaged.⁴²

Ahluwalia observes that “[t]he advantage of this approach is that it makes it easier to develop a gradually moving political consensus in what is otherwise a highly pluralist and noisy democracy.”⁴³ This formulation, of course, emphasizes the positive side – the building of support for reform. But its reverse, the disruption of opposition, is implied, particularly in Ahluwalia's reference to the risk factor most commonly associated with gradualism: when “change takes place over a long period of time [this] ... gives time for opposition to harden.”⁴⁴

This insight can be extended if we recognize that certain policy domains are more acutely affected than others by the passage of time between the first and second generations of reform. Labor policy is among these. Reformers benefit from the progressive weakening of organized labor's capacity to resist policy change. Since economic liberalization was introduced 1991, many unions have seen their

memberships drop and their leaderships embroiled in conflict and controversy. Many state governments have also worked assiduously to undermine independent union power. Roy Chowdhury's research on public sector unions in Karnataka demonstrates a slow leeching of labor's tendency toward systematic confrontation, as a result of party-union relations, the internal dynamics of unions, and myriad other reasons. The result is weakened resistance.⁴⁵

The third refinement to Varshney's framework concerns the issue of articulating a vision of liberalization that can appeal to the mass imagination. The BJP core of the NDA has progressed on this aspect of generational transition by shifting its rhetorical focus from liberalization to globalization. Its vision looks something like this: "globalization is a site in which (Hindu) India takes up her rightful place in the international community; just as this has been accomplished in the *global security field* with the nuclear tests in 1998, so will India's IT expertise and business acumen allow India to thrive in the *global economic field* as well."

This has sometimes been referred to as "nuclear swadeshi." Such a term is useful in one sense: it highlights the way in which the NDA government used its security policy gambit – a gesture of defiance to the world community if ever there was one – to shield itself from attacks by opponents of its economic reform policies. Having asserted India's place in the global political order, the BJP could pursue market-friendly policies relatively immune to the charge – heard often in domestic politics – that the government was taking orders from the World Bank, the IMF, the White House, or anyone else. But the term "nuclear swadeshi" does not fully capture the shift involved. The term "national interest swadeshi," drawn from the work of Baldev Raj Nayar, evokes more closely the dynamic at work.⁴⁶ Leading figures in the government, such as Yashwant Sinha, have coalesced around this vision, in which swadeshi is repackaged as the pursuit of India's greatness through a policy of strategic *realpolitik* to advance whatever is considered in the national interest.⁴⁷

Whatever the NDA government managed to achieve by way of economic reform was to some degree made possible by the BJP's ability to neutralize sites of resistance within the party's organizational base, the Rashtriya Swayamsevak Sangh (RSS) ("National Volunteers' Association"). Many elements in the RSS are deeply unhappy about the BJP's embrace of a market-oriented version of economic globalization.

This goes beyond the protest actions of the Swadeshi Jagran Manch, an anti-reform front organization, reflecting a wider feeling within the RSS, the organization that counts in these matters.⁴⁸ However, the nuclear tests in the Rajasthan desert, undertaken by the BJP's first coalition government, seriously undermined RSS opposition to the government's efforts to globalize the Indian economy. The tests had promoted India to the ranks of the world's acknowledged nuclear powers, which in the eyes of the average RSS-wallah registers as a huge boost in (Hindu) national prestige on the world stage. Foreign economic policy received a grant of freedom from domestic political pressure thanks to the autonomy from international political pressure displayed by the NDA government on its foreign *security* policy.

Varshney, it will be recalled, claimed that in India identity politics tends to be of concern to mass constituencies, whereas elites are pre-occupied with economic issues. This issue hierarchy, he maintained, provided a conducive political environment for reformers: policy issues were out of the political spotlight, not least because political divisions based on caste, religious, language, region, and so forth reduced the collective action potential of economically defined interest groups that might perceive threats from reform measures. But, in practice, this logic held only for the first generation of reform. As policy decisions affecting ordinary people begin to occupy more of the policy space, as they have in India, the arena of mass politics becomes less dominated by identity politics, proportionately speaking. There is, in other words, a proportionately stronger need for governing elites to find a substitute for the declining effectiveness of multiple issue cleavages as political camouflage for the introduction of reform measures. The BJP responded, as we have seen, with an ideologically charged narrative about the place of economic reforms in the development of a globally powerful (Hindu) nation. It represents an attempt to find a compelling synthesis between ideas across the two domains of economic life and identity politics. This replaces the earlier approach, in which economic and identity issues operated in different registers – a circumstance which suited politically astute reformers during the first generation of reform.

Of course, a hard-line nationalist vision of economic superpowerdom is hardly comforting, and clearly was not what Varshney had in mind as a humane, social democratic vision of reform that could be sold politically as generally welfare-enhancing. The only politician in India

to have pursued such a vision – stressing the ability to harness the market for socially desirable ends – is Chandrababu Naidu.⁴⁹ He fused his market-friendly reform agenda with an unabashedly liberal vision of good governance. Whether Naidu actually delivered on his promises of reform is another matter entirely. Naidu lost power in the same elections that ousted the NDA from office in Delhi in May 2004, and there is no evidence that his party won a second term in the 1999 elections because of his reformist credentials. Indeed, there is much evidence that Naidu's electoral base in 1999 was bolstered by a combination of clever alliance politics (joining forces with the BJP just prior to the campaign); using the government machinery to feed clientelist networks (via his *janmabhoomi* scheme and other such development interventions); and the subversion of the principles of liberal economics through fiscal irresponsibility.⁵⁰

All this was a far cry from the superpower ideology of the NDA government. Even for those who do not agree with the content of “national interest swadeshi” – or find its implications unpleasant – there is little doubt that it allowed the BJP to move quietly beyond its old policy of “internal liberalization,” which amounted to a kind of “passive globalization,” or globalization by default. The BJP, and the coalition it heads, began to engage in “active globalization” – a central part of bringing reform into mass political discourse.

In the area of labor policy this has occasionally taken the form of a greater concern with issues of equity, a key dimension of the shift to a more mass-oriented politics of reform. Vajpayee himself made the point explicitly that labor reforms are necessary to come into line with the latest global trends. Rather than treating the casualization of the workforce as a problematic labor policy issue from the perspective of equity – which, it can be recalled, is at the forefront of many versions of the second generation agenda – Vajpayee repeatedly sought to portray casualization as part of a globalizing process from which India stood to benefit. “The new economy has changed the nature of employment fundamentally,” Vajpayee stated in late 2003. As a result of global economic integration, “[i]ncreased ancillarisation in production systems and contract manufacturing has shifted the focus of employment from the organised sector to the service and peripheral sectors.”⁵¹ This was deemed a good thing.

Vajpayee also effected a rhetorical inversion of organized labor's position on the elite–mass scale with his repeated mantra about the

elitism of existing industrial relations policy. “The existing labor laws are only for those who are employed in the organized sector, which forms a very small part of total labor force,” he asserted. “We wish to bring suitable changes in the legal framework so that it could serve as an instrument for speedy employment generation in all sectors of the economy.” This, he proceeded to clarify, included India's great “masses.”⁵² The implications of this discursive shift were played out in India's states, which as we have seen were key sites in the battle for labor reform. During the NDA's time in office tackling public sector unions became almost a point of macho honor among state governments. Senior advisors to former Rajasthan chief minister Ashok Gehlot were eager to publicize the CM's “resolve” in dealing with protesting government workers in the first part of his term.⁵³ Similar crackdowns took place in Kerala, and Tamil Nadu – with state governments taking great public pride in vanquishing, as they put it, the labor aristocracy represented by public sector unions. Such talk, matched in many cases by bolder action than publics were accustomed to seeing from their representatives, would have to be regarded as an important step in the transition from elite negotiation to mass politics, even if the budgetary impacts were less tangible.

Institution-Building?

The second broad component of the transition to second generation reform is institution-building. While the NDA government has managed in some sectors to nurture new institutions (such as the Telecom Regulatory Authority of India), the NDA's institution-building record in the labor field has been dismal. Arguably, the government contributed to the further demise of certain key institutions.

This is particularly the case with respect to the Indian Labour Conference and the (admittedly *ad hoc*) National Commission on Labour. The process by which individuals were appointed to these bodies, and the manner in which they operated the latter, was fraught with controversy. Throughout the NDA's time in office, both bodies were dogged by complaints of political favoritism, of agenda-rigging, and of the systematic muzzling of dissenting voices, though one trade union member of the Second National Commission on Labour (SNCL) did issue a dissenting opinion. The NDA's blatantly ideological and partisan approach to these bodies made it significantly less likely that either would be able to “contain” the distributional conflicts

likely to accompany continued labor reform. Without good-faith policy bargaining in these kinds of institutions, disputes will spill over into strikes and protest politics more frequently.

Another aspect of the NDA government's failure to assume responsibility for an institution-building role in the process of restructuring labor relations is its refusal to take account of what a substantial portion of the economics profession in India was telling it: that there appear to be fundamental differences between India's labor markets and those upon which the government's reform theories are predicated, and that this is manifested in the prevalence (and persistence) of "dualism." The extent of labor's casualization and the proliferation of arrangements for the contracting of labor have both been key trends. The results of the fifty-sixth round of the National Sample Survey, as analyzed by Chandrasekhar and Ghosh,⁵⁴ reveal what they call a form of dualism, in which a severely exploited segment of the workforce appears permanently marooned in the unorganized sector, which exists in the shadow of the formal sector, where a different set of social and political relations apply. Chandrasekhar and Ghosh argue that neoclassical economics, based on "developed country experience," expects an industrializing economy to witness "the gradual demise of excessively small units and units based on more primitive techniques and primitive forms of organization," as these "give way to large or larger units working with hired labour and more advanced techniques."⁵⁵ Why does this not appear to be happening in India? The authors are clear that it is not simply a failure of regulation to do its job:

dualism is not a function of just the limited implementation of the Factories Act, which allows for wage differentials between the "organised" and "unorganised" sectors. Rather, as analysts have often pointed out, a number of other factors on the demand side such as the persistence of "traditional tastes" that can be catered to only by more primitive techniques and the existence of poverty and inadequate market integration, which generate a different kind of "niche" market for cheap but primitive products, have also encouraged dualism.⁵⁶

Such arguments are contestable, but most labor economists in India see the merit of adapting institutions to facilitate what, in a

strictly neo-liberal view, would be expected to take place automatically from deregulation. There has been, for instance, much concern about India's glacial rate of job creation, even during the years of economic expansion under the NDA. From 1998 to 2003, employment in India grew by an average of less than 1% annually. Since India's workforce (even if we exclude child labor) is expanding at roughly 2% per year, the effective rate of employment growth was actually negative.

With a section of the workforce substantially insulated from the large-scale social processes that give rise to the formation of militant labor organizations, of the sort that can later fight for worker rights, two implications for our larger argument arise. The first is that there is a need for institution-building to overcome these problems. This is precisely what successive Indian governments, including the NDA's, have *not* been doing, preferring to rely on the time-honored tactics of delay and division to advance a limited (and therefore most likely flawed) version of labor reform. Moreover, to whatever extent the second generation reform agenda lends prominence to issues of equity, this will require the creation (or adaptation) of institutions capable of coping with at least the consequences, if not the root causes, of dualism. They will not rectify themselves through deregulation alone.

The second, related, implication is that, despite Ghosh and Chandrasekhar's aforementioned view that non-implementation of labor laws is only a minor contributor to the continued marginalization of Indian workers, it is clearly the case that the lack of regulatory enforcement is a critical issue from the perspective of institution-building. There is a huge gap between the rather wide coverage of labor law in India, and the limited number of cases in which it is impartially applied. Chandrasekhar and Ghosh remind us that the cause of non-enforcement is not the narrow scope of legislation:

it is not the case that various provisions are actually applicable only to workers in the formal sector. Laws like the Minimum Wages Act, the Equal Remuneration Act, the Contract Labour Act, and so on, apply to workers in both the organised and the unorganised sectors; even the Industrial Disputes Act [IDA] applies to large sectors of unorganised labour.⁵⁷

Many of the flaws of the existing system under the IDA are, in fact, a problem of the state's failure to develop adequately insulated institutions

of accountability in the labor field. This, in essence, is a failure of the liberal half of the liberal democratic state in India. Fareed Zakaria's critique of trends in the elaboration of Western political systems – and in ideas about how best to promote good governance in the developing world – stressed the need to temper enthusiasm for, and action in support of, democratization. Equally essential, Zakaria maintains, is progress toward political liberalization.⁵⁸ Part of liberal politics is maintaining the personal liberties that allow civil society to flourish and thus affect both the nature of governance and the shape of democratic contests. But part of it is enforcing the rule of law. This, arguably, requires greater institutional coherence. Indeed, the list of factors the SNCL sees as contributing to the poor condition of Indian labor include many institutional shortcomings:

5) the Conciliation Machinery is more eager to consider problems of employers and today consider issues like increase in productivity, cost reduction, financial difficulties of the employer, competition, market fluctuations, and so on; 6) recovery proceedings against employers who could not pay heavy dues of workers are not being seriously pursued by the industrial relations machinery, if the financial position of the employer is very bad; 7) the labour adjudication machinery is more willing to entertain the concerns of industry.⁵⁹

Ostensibly concerned with institution-building, the SNCL also recommends that any provision that accords employers discretion in allocating a benefit negotiated in exchange for labor flexibility provisions should “provide for a third party or judicial review of the decision, without affecting the right of the management to decide what economic efficiency demands.”⁶⁰ This sort of institutional mechanism provides the illusion of accountability, while possessing no realistic prospect of enforcement. The idea that such a “third party” review would enhance the leverage of workers in their efforts to obtain a decent settlement with management runs contrary to 40 years of experience with such bodies in India.

This trend is seen in other statements from the SNCL as well, which in its report stated that “the Commission is of the view that changes in labour laws are only one of the issues involved, and that these have to be visualised and effected in a broader perspective of

infrastructural facilities, social security, and Government policies,” adding that an institutional mechanism would need to be devised to make such policies operational: “it is necessary to provide for both protective and promotional measures, the latter being particularly relevant for the workers in the unorganised sector.”⁶¹ The problem, as Datt points out, is that there is little chance of this being implemented.⁶² Another example is the SNCL's recommendation that each industrial establishment should have a grievance redressal committee, with workers and employers represented equally. But given the lack of proper investment in such institutional mechanisms, and their inevitable politicization, these “concessions” to the labor movement end up providing virtually no practical benefit to workers.

This pattern is repeated in other aspects of labor policy reform. In early 2002, proposals to exempt firms with up to 1000 employees from the Industrial Disputes Act encountered resistance within the cabinet. After much arm-twisting, these were eventually overcome. Previously, only firms with 100 or fewer workers were exempt from these provisions. In classic coalition style, a completely unworkable agreement was reached allowing this derogation from the normal legislative rules in exchange for an increase in severance compensation to 45 days from the earlier 15. But as economics commentator Swaminathan Anklesaria Aiyar pointed out, this is an almost meaningless concession:

The average worker has 20 years of service. Compensation at 45 days wages for each year worked implies 900 days wages for each retrenched worker, or roughly 2.5 years salary. Now, companies in trouble can barely pay the next months wages. How on earth will they provide 2.5 years salary upfront? A few rich companies have the resources, but not the hundreds in real need. In practice, businessmen will probably retrench without paying, and the resulting disputes will be tied up in labour courts for years while they milk their companies dry. That will not be very different from the current situation.⁶³

In other words, no one believes these sorts of promises will be implemented, which means that the institutions responsible for promoting them are lacking the credibility needed to play a role in managing the politics of the labor reform process.

We must also recognize the importance of institutions like the Indian Labour Conference, a tripartite body which might easily be dismissed as at best a talking shop, and at worst a den of cronyism in which the interests of the least powerful of India's working classes are routinely sacrificed in exchange for doctrinal purity. But it can, in theory, confer at least three kinds of benefit. First, the ILC has the potential to set clear standards that avoid the ambiguities that often lead to industrial unrest. For instance, the SNCL's recommendation on the minimum wage is that it should be paid to any worker, and should satisfy household needs as stipulated in the "Need Based Formula" of the fifteenth Indian Labor Conference. Such agreed standards are a necessary, even if not sufficient, standard for less adversarial labor relations. Second, the ILC is also a place where – again, in theory – it should be possible to lay the groundwork for broadly agreed policy reform, based on appreciation of longer time-horizons and a comprehensive view of the problems at hand, including an assessment of labor market rigidities, social security funds, infrastructural bottlenecks, and so forth. The ILC has played this role in earlier periods of its existence, though its current moribund state certainly pre-dates the era of liberalization. Third, and finally, the Indian Labor Conference could be a useful conduit for injecting the voice of India's trade union movement into international-level tripartite discussions – at the ILO and elsewhere. In practice, however, the NDA government has allowed the ILC to deteriorate further, partly as a result of sheer neglect; but some of the government's more active interventions have also harmed this potentially helpful institution. In its degraded state, the ILC was – at the time of its thirty-seventh congress in mid-2001 – unable even to generate a constructive debate on proposed labor reforms, let alone to forge a workable compromise. Widespread distrust of the ILC as an institution by almost all of India's major trade unions – including the BJP's own union, whose leader publicly called the party's finance minister a "criminal" – made this an unsurprising outcome.⁶⁴ By late 2003 the ILC had virtually ceased to function at all.⁶⁵

Rather than building alternative institutions – to help formulate labor policy for an era in which the nature of work is indeed changing, and to cope with the market uncertainties and distributional conflicts that lie ahead – the NDA government has relied on strategic devices of limited long-term political value. For example, it has tactically shifted debates around labor policy from domestic issues to questions on the

international economic agenda. Making a domestic political issue out of WTO proposals to link trade with labor standards was a particularly effective means by which the government placed itself on politically advantageous ground: the government's rejection of the WTO "linkage" proposals were perfectly in line with every major trade union, from across the partisan spectrum. As a strategy to weaken the political influence of trade unions that could potentially thwart other reforms, the government's strategy has succeeded. But without a countervailing initiative to rebuild the institutional machinery of industrial relations, this kind of political approach is severely limited. This may be one of the greatest drags on the effective articulation, let alone implementation, of second generation labor reforms.

Conclusion

Even if it is possible to venture assessments of the NDA's performance as a whole, it is nevertheless helpful to recognize the existence of phases within its term in office. This reveals some of what has changed since the end of 2002. Beginning with the budget for 2003–04 – or rather the run-up to the budget from late January 2003 – the government went into election mode. Some commentators saw elections as two years away. The governments saw significant state-level elections as less than a year away. Hence the backtracking found in the budget statement by Jaswant Singh, who was forced to play the part of backpedaling finance minister into which Yashwant Sinha was cast in the early part of the NDA's term in office.⁶⁶

Things evolve rapidly in this kind of political environment. In mid-2002, citing the importance of taking forward the recommendations of the Second National Commission on Labour, Vajpayee was talking of a cabinet consensus on labor reforms.⁶⁷ By late 2003, with elections well in sight, ministers began claiming that any such reforms were significantly down the priority list. Union commerce minister Arun Jaitley, speaking at the India Economic Summit 2003, initially stated how positive labor reform would be for job creation, and then reassured any trade unionists that might be listening that nothing serious would be done in the short term. It was something for the next parliament. Asked when he thought action might actually be taken, Jaitley said "I think in two to three years, work on labour reforms would pick up momentum."⁶⁸

Will the Congress-led United Progressive Alliance (UPA) coalition government that succeeded the NDA in May 2004 be able to take labor policy further into the next generation of reform? The portents are mixed. On the one hand, there are those who see little possibility of reform. As one former senior civil servant put it, given the views of various members of the UPA "on matters pertaining to the demands of organised labor ... [t]here is hardly any possibility of any major labor reforms being undertaken by this government."⁶⁹ On the other hand, this government may bear the fruits of gradualism. The slow but steady weakening of organized labor, which has unfolded over the last 20 years – since Rajiv Gandhi's government began confronting public sector workers in the telecom sector – may cause the government to recalculate the political costs and benefits of decisive legislative reform. Given the pragmatism displayed by the communist parties in the states where they have governed, their opposition to reform may be less steadfast than many observers have assumed.

But for any variety of labor reform to receive even tacit approval from Congress' allies on the left, it would need to be supplemented by the sort of institution-building that the NDA government failed to accomplish, and which India's adjustment to a more globalized economy will require. Restructuring, moreover, will need to take place in institutions beyond those traditionally associated with labor relations. India's Planning Commission, its bodies responsible for approving foreign investment proposals, its increasingly anti-labor judiciary – these and other institutions are essential parts of the governance framework within which India's workers operate. Belief in the need for a broader approach to institutional renovation in support of labor policy reform is not confined to India. That something more radical than deregulated labor markets must be attempted has been recognized by, among others, David Held, whose manifesto for an alternative to neo-liberal globalization advocates the creation of "robust national market institutions" that would possess, among other capacities, "the ability to focus investment on job-creating sectors."⁷⁰ Such a far-reaching approach may, however, be beyond the reach of such a fractious coalition.

NOTES

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 38. Ashutosh Varshney, "Why Have Poor Democracies Not Eliminated Poverty?" *Asian Survey* Vol. 40, No. 5 (September/October 2000), pp. 735-36.
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