

4. The Political Element in Economic Reform: Labor Institutions and Privatization Patterns in South Asia¹

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1. Introduction

Much of the political economy of reform literature views economic change as a process that governments effect upon societies. These studies not only presume that effective reform requires the skillful dislodging of entrenched rent-seekers. They also reflect a preference for examining economic policies and elite political coalitions and for ignoring the societies in which governments and political elites operate. The political element in economic reform runs deeper than acknowledged by the political economy of reform literature. Insufficient attention has been devoted to the influence of social institutions on economic change. Close comparative historical study does not support the conventional political economy of reform scholars' contention that 'the packaging of programs or the manipulation of opposition groups' explains economic reform outcomes better than socio-economic structures (Haggard, 1986, p. 161). The observation that similar government economic policies have widely differing effects in different institutional environments is an invitation to explore the salience of social institutions in economic change.

South Asian governments, with the exception of Sri Lanka's, opted for structural adjustment programs a decade later than did Latin American governments. Bangladesh, owing to a balance of payment crises, initiated structural adjustment measures in the mid-1980s. In the late 1980s and early 1990s, India and Pakistan adopted structural adjustment programs. Privatization was a central feature of these nearly identical International Monetary Fund (IMF) structural adjustment programs. But these privatization programs have had very different results. Why? Why have India and Pakistan had such different experiences in implementing nearly identical privatization programs?

Research on labor institutions and patterns of privatization in South Asia suggests that the structure of social institutions accounts for this variance.² Comparative historical analysis can identify both the institutional features that facilitate or obstruct the implementation of privatization policies, on the one

hand, and those which help to determine whether privatization involves compensation to displaced workers, creates new employment, and promotes labor productivity, on the other hand. The research reported here focuses on the relationship between labor institutions and patterns of privatization. Labor institutions include relations between trade unions and political parties, mechanisms for the selection of union leaders and recognition of trade unions for the purposes of collective bargaining, and the level – national, industrial, or enterprise – at which collective bargaining is conducted.

In this chapter I first summarize the major features of recent privatization measures in India and Pakistan, and labor responses to them. Then, drawing on the cases of Bangladesh and Sri Lanka as well, I discuss the influence of labor institutions on patterns of privatization. I argue that patterns of privatization can be traced to specific labor institutions.

Privatization patterns involve the speed and method of privatization, the compensation afforded displaced public sector employees, and the effectiveness of privatization in promoting new employment and productivity. I do not define privatization in the broad sense of the promotion of policies to expand the private sector but in the narrower sense of the transfer of tangible public assets to private hands. Opening up new areas to the private sector, repealing legislation that provides for public sector monopolies, franchising, leasing, and sub-contracting also constitute privatization but these techniques do not entail the sale of tangible government assets. There are three principal mechanisms for privatization in this narrower sense. Governments may sell public sector assets to financial institutions, may sell shares of public sector units on the stock market, or may hold public auctions.

I use a method which is under-employed in comparative politics, close comparison of a once unified polity. Countries that are created by partition – India and Pakistan, North and South Korea, Zimbabwe and Zambia, and formerly East and West Germany – provide an unusual opportunity to gauge the impact of different political regimes on once closely similar, if not unified, political, social, and economic structures. The technique is particularly productive for the study of labor in what was British India because Pakistan and India inherited identical labor legislation and national labor organizations but their governments reworked them after independence in distinct ways.

2. Privatization in India and Pakistan

The four South Asia countries considered in this chapter – Bangladesh, India, Pakistan, and Sri Lanka – comprise 20% of the world's official labor force and a far larger share of the world's real (i.e., paid and unpaid) labor force (World

Bank, 2000, pp. 278–9). Within two generations, India and Pakistan are projected to be the first and the fifth most populous countries in the world. Ranked by per capita income, India and Pakistan are squarely in the middle of the lower income economies. Unlike other populous lower income economies, including Brazil and Indonesia, India and Pakistan are resource scarce on a per capita basis. India and Pakistan have closely similar economic structures, with similarly sized industrial, service, and agricultural sectors as a percentage of gross domestic product (GDP). Some of the difference in unionization rates is accounted for by the fact that Pakistani agricultural laborers are prohibited from forming unions. A number of other economic similarities make India and Pakistan apt comparative cases for assessing the impact of labor institutions on patterns of privatization. The textile industry in each country is the largest non-agricultural employer and the largest source of export earnings. Moreover, before the onset of the recent reforms, India and Pakistan had public sectors of roughly equal proportions to their GDP and roughly equally sized organized public sector labor forces as a percentage of their total unionized labor forces. These facts are often disguised by Pakistan's neoclassical economic ideology and India's former socialist economic ideology.

A comparative perspective on economic, social, and labor data for the four countries is provided in Table 4.1. Although Pakistani GDP growth rates have fallen recently, and Indian GDP growth rates have risen, Pakistan has been able to achieve higher growth rates than India since independence. Pakistan has maintained the highest GDP growth rate in South Asia, an average of more than 6% per year since independence. At the same time, it ranks as one of the world's poorest in human development indicators such as adult literacy, female school enrollment, and maternity survival rates. Surprisingly, many development theorists refer to this as a paradox – high growth rates combined with miserable human development. There is no paradox. This is precisely what Pakistani planners and their American advisors intended to accomplish with the principle of 'functional inequality' a strategy devised to concentrate capital and to create inequality, and thereby promote economic growth.³

India has had regular elections to parliament and state legislative assemblies even before independence. Pakistan has spent 27 years under military rule. Indian economic development ideology has been socialist. Pakistani economic development ideology has been predominately neoclassical. Despite this variation in political regime type and in professed economic ideology, governments in each country were committed to strong intervention in the service of rapid industrialization.

What are the major features of economic reform in India and Pakistan? In Pakistan, General Zia's 11-year rule created social groups and political constituents which had a significant long-term impact on governance and the

Table 4.1 Comparative economic, social, and labor data for Pakistan, India, and Sri Lanka^a

	Pakistan	India	Sri Lanka
Economic Indicators			
population (millions in 1995)	136.3	929.0	17.9
growth rates of GDP (per annum 1980-95)	5.8	5.3	4.6
purchasing power parity per capita (US\$ in 1997)	1590	1650	2460
industrial production (% GDP in 1995)	25	27	25
direct foreign investment as a % of GDP (1994)	0.69	0.45	1.35
foreign assistance as a % of GNP (1996)	1.4	0.6	3.6
external debt as a % of GNP (1996)	39	22	41
exports as a % of GDP (1996 -1998)	15.1	7.7	35.1
Social Indicators			
adult literacy (% of adult population in 1995)	38	52	90
female primary school enrollment (% of age group)	25	76	100
Labor Indicators			
labor force as a % of population	36	43	42
industrial employment as a % of total (1990)	19	16	21
unionization rate (% of labor force)	2.9	5.0*	26.7
official unemployment rate	5.4	4.7	14.0
share of wages in value added (1985-92)	19.9	45.2	17.2

* Union density cannot be reliably established in India because trade unions are not required to submit membership figures. Trade unions which do submit figures exaggerate them so that they might secure greater representation in government-labor consultative bodies.

economy. Zia promoted a business class that is well characterized by industrialist and former Prime Minister Nawaz Sharif. General Zia, however, did not effect comprehensive economic reform after he dismissed the populist government of Zulfikar Ali Bhutto. Concerted economic reform began only with the interim government, appointed by General Zia before his death. That military-appointed interim government foisted an IMF agreement upon the subsequently elected government of Benazir Bhutto. In each of their alternating two terms in office, Bhutto and Sharif, and especially the interim governments that ruled during each of the three military-brokered transitions, effected broad-based economic reforms, including comprehensive privatization. Bhutto began the privatization process in December 1988. Sharif announced, when he succeeded Bhutto in 1991, that he would speed up the privatization process, and he did. Nearly all state-owned enterprises have been sold in auction. These include all public sector factories and most banks.⁵ The pace of privatization in Pakistan is among the world's quickest.

In India, shortly after the announcement of the new economic policy and an IMF agreement in July 1991, Finance Minister Manmohan Singh announced that within two years subsidies to state-owned enterprises would be eliminated and non-performing public sector enterprises would be privatized. Several years later, not a single central government public sector enterprise had been privatized, despite repeated government attempts. The Indian government has been able to sell shares of state-owned enterprises, but these efforts have largely involved transfers of public sector debt to government financial institutions. Thus, Pakistan has privatized rapidly; India, hardly at all.

Labor's Role

Local and national labor demonstrations, strikes, and threat of strikes organized by political party-affiliated unions, the so-called trade union centers, reversed government privatization decisions in India. Measures by state governments – that is, by provincial-level government – to privatize state government enterprises, where the bulk of Indian public sector employment and value added is concentrated, have also been successfully opposed by political party-affiliated unions. Organized labor has been identified in confidential World Bank documents and by World Bank officials as the single biggest impediment to public sector reform. A senior World Bank economist for India claimed that 'we [pro-reform advocates] can't move until we buy-off labor'.⁶

Nearly eight years after Manmohan Singh's declaration that public sector enterprises would be marketized, Indian labor has yet to be placated. The government's failure to privatize the Indian Iron and Steel Company (IISCO) illustrates how political unionism – wherein unions are allied to political party

patrons – can block privatization decisions. In November 1993, the cabinet, under the constraints of IMF budget deficit targets, decided not to finance the modernization of IISCO, but to privatize it. The Communist Party of India (Marxist) government in West Bengal, where IISCO is located, supported that decision. The central government then invited bids and accepted that of an Indian industrialist. The 30,000 workers at the plant objected. The Indian National Trade Union Congress (INTUC), the trade union affiliated to the Indian National Congress party, together with the trade union of the Communist Party of India (Marxist) (CPM) and other party affiliated national unions, organized a national strike throughout the steel sector. A parliamentary committee was thereby convened to review the privatization decision. The committee's report challenged the government's privatization plan and recommended that the cabinet decision be withdrawn and that IISCO be modernized with public funds. Despite the Congress Party's majority in Parliament, the government withdrew the IISCO privatization bill. The Congress could not afford to lose the labor vote. This reversal points to the ability of political party-affiliated unions, even that of the ruling party, to form strategic alliances with other political party-affiliated unions, to oppose government privatization initiatives. One could cite numerous other cases.

In contrast, extensive and rapid privatization in Pakistan was achieved

Table 4.2 Extent, timing, and methods of privatization in South Asia, 1977–97

Pakistan

extensive and rapid privatization in manufacturing, banking, utilities, and telecommunications through sealed bids, since 1988 public sector labor force reduction through voluntary early retirement, future employment guarantees, lay-off compensation, and worker ownership schemes

India

no central government unit privatized, limited privatization of state government industries some divestiture through state financial institutions, since 1991 some public sector labor force reduction through involuntary early retirement and lay-offs with compensation

Sri Lanka

extensive and sustained privatization in manufacturing, banking, utilities, transport, and telecommunications through auctions, stock market divestiture, and privatization of management, since 1977 public sector labor force reduction through voluntary early retirement, future employment guarantees, and lay-off compensation

through labor's political exclusion. In Pakistani enterprises today, labor organizations empowered with collective bargaining rights are found only at the plant level. The few political party organized labor federations that do exist, such as the Pakistan People's Party's People's Labour Bureau, have few members and little credibility. Indeed, the leader of that union was murdered, allegedly by members of the political party to which his union was affiliated, the then-ruling Pakistan People's Party. He opposed the party's decision to privatize the Muslim Commercial Bank.

Pakistani trade unions have been comparatively amenable to privatization. Indeed, public sector unions negotiated an agreement with the Minister of Manpower in 1991 that smoothed the way for privatization. The All Pakistan State Employee Workers Action Committee secured an agreement that gives workers of privatized enterprises severance pay of 25% of the last year's salary for every year worked, a guarantee of one year of future employment, and the option to take shares in the privatized company. Surprisingly, in a society where civic associations have been repressed and destroyed by military and authoritarian civilian governments, nearly 20% of the newly privatized manufacturing enterprises in Pakistan are now under worker management schemes, with varying degrees of managerial control by workers.

The plant-level achievements in a few of Pakistan's privatized enterprises do not make Pakistan a laborer's utopia. Secret ballot elections for trade union officers and clear regulations concerning the recognition of collective bargaining agents, however, do give Pakistani workers more control over their unions and a greater sense of ownership in many industries. A boiler operator at the Pak-China Fertilizer factory conveyed this, when the factory was undergoing privatization. With tears in his eyes he said 'for the past 16 years, I have *loved* my machine because it provides me and my family with our livelihood. But now, why should I not destroy it?' He then added a famous couplet from an Urdu *ghazal* written by Mohammad Iqbal.

*Jis khet se dekho ko meyasar na ho rozi,
us khet ke har khosha gundon ko jalado.*

*(The field from which a peasant can not reap a livelihood,
in that field burn every ear of wheat.)*

Labor Institutions Compared

What is the structure of labor institutions in India and Pakistan and what is their impact on the different patterns of privatization in the two countries? Before discussing the mechanics of worker representation and collective bargaining, a comment about institutions is in order. An institution is a custom or

a practice, established by law or by habit. The organizations that preserve and promote these customs and practices, such as government agencies, trade union bodies, non-governmental organizations – not institutions alone – allow individuals to create, articulate, and pursue collective interests. As social organizations change, they transform institutions. Labor legislation, for example, does promote labor practices. But many labor institutions are not established through law, but rather through management practices. In Sri Lanka, for example, members of the Employers Federation of Ceylon only bargain with unions that meet their standards of healthy trade unionism; that is, with non-militant trade unions. Similarly, the federation has sanctioned its own members for failure to pay workers a living wage and failure to pay workers on time. Law mandates neither of these practices.

Despite their common origins in the British colonial legal system, Indian and Pakistani labor institutions – such as relationships between trade unions and political parties, mechanisms for selecting trade union leaders, and collective bargaining arrangements – differ markedly. India has had strong political party-allied trade union federations, or political unionism, since the 1920s. Under the umbrella of the All Indian Trade Union Congress, founded in 1920, and now affiliated to the Communist Party of India, unions in pre-partition India were united by a common anti-imperialist position. Union leaders then became politically prominent with the Provincial Council elections held in 1937, ten years before independence. Organized labor played an important role in the independence movement. After independence, elected governments encouraged the development of politically powerful trade unions that could serve as electoral vehicles for political parties. Many districts are still labor constituencies, where political parties vie for candidates among trade union leaders. Former Labour Minister V.V. Giri, Mrs Gandhi's candidate for President of the country over which the Congress party split, was one such labor constituency unionist. The Home Minister in a recent government, Inderjit Gupta, entered politics through the Communist Party of India's trade union. One of the more contentious recent issues in Indian industrial relations is the government's refusal to admit to government consultative bodies, such as the wage-setting Indian Labour Conference, newer national trade unions that refuse to affiliate with a political party. Such was the case with the National Centre for Labour, which represents informal sector workers who are predominantly women.

Fuzzy rules for trade union recognition are a crucial correlate to political unionism in India. Unlike Pakistan, in India, there is no legal mechanism for trade union recognition, except in the states of Karnataka, Orissa, and West Bengal. Employers must recognize and bargain simultaneously with all unions that possess a credible threat to production. Indian political parties are quite

effective in mobilizing labor and providing such a threat. The mobilization of workers is in fact the litmus test of a trade unionist's political skill. George Fernandes, for example, India's current Defence Minister and proponent of India's nuclear option, rose to General Secretary of the Janata Dal-affiliated Hind Mazdoor Sabha because he was able to mobilize railway workers in a national strike against Congress Prime Minister Indira Gandhi in 1974. Fernandes established himself as a successful trade unionist-politician despite the facts that Mrs Gandhi brutally crushed the strike, that paramilitary forces killed workers, and that workers' grievances were not addressed. What was important was that he could mobilize workers.

It should be emphasized, then, that political unionism refers to the influence of political party-affiliated unions within the union movement. Political unionism does not necessarily entail union influence over economic policy. While political unionism can effectively veto government privatization decisions, it is not able to prevent private sector management from illegally shutting down factories, declaring lock outs, or relocating to areas where workers are not unionized. Keeping a factory in the public sector, which political unionism can achieve, does not guarantee workers employment, good working conditions, adequate pay, or even payment for their work. Indeed, political unionism can prevent workers from exercising influence over government policy and has often exacted a high cost from workers. The 1982-83 Bombay textile strike is a clear example. The strike is the world's largest as measured in work-days lost. Hundreds of thousands of mill workers waged the strike because they wanted an amendment to the Bombay Industrial Relations Act – a British colonial legacy – such that the Indian National Congress-affiliated union, the Rashtriya Mills Mazdoor Sangh (National Mill Workers Union), would no longer be the sole collective bargaining agent for all textile workers. The strike, which resulted in the loss of an estimated one hundred thousand jobs and sharp decline in labor standards and in terms of employment throughout the industry, is officially still in force. The leader of the strike, Datta Samant, was murdered, allegedly at the request of the Rashtriya Mills Mazdoor Sangh. The Rashtriya Mills Mazdoor Sangh continues to be the sole collective bargaining agent for workers in the textile industry in the states of Gujarat and Maharashtra, despite strong opposition from workers. Thus, political unionism is not universally liked by Indian workers.

Unions organized in the territory that was to become Pakistan were also political party-allied and predominantly communist before and immediately after independence.⁷ But labor occupied no part of the imagined community of the Muslim League, the party that successfully petitioned the British for the creation of a homeland for South Asian Muslims. Thus, organized workers in Pakistan, unlike India, were not incorporated in post-independence develop-

ment strategies and nationalist ideologies or by Pakistani political parties. The banning of the Communist Party of Pakistan in 1954 further weakened the labor movement. More decisively, at the last gasps of Pakistan's first decade of martial law in 1968, new labor laws were promulgated to limit political unionism and to promote enterprise unionism, that is, factory-based unions without political party affiliation.⁸

The military's Industrial Relations Ordinance of 1969 requires workers to elect other workers to be their exclusive, legally empowered collective bargaining agents. Deputy Martial Law Administrator Air Marshal Noor Khan reported that he wanted to apply to the entire country a model that he had developed when managing Pakistan International Airlines, the military-owned national airline.⁹ Instead of jailing union organizers, as his predecessor had done, Noor Khan allowed PIA employees to form a union provided that politicians and lawyers were prohibited from involvement. Noor Khan's Industrial Relations Ordinance fundamentally reconfigured labor institutions in Pakistan and remains in force today. Pakistan's martial law government, facing sustained labor protest in late 1968, devised worker representation and collective bargaining institutions that would de-politicize labor. The martial law govern-

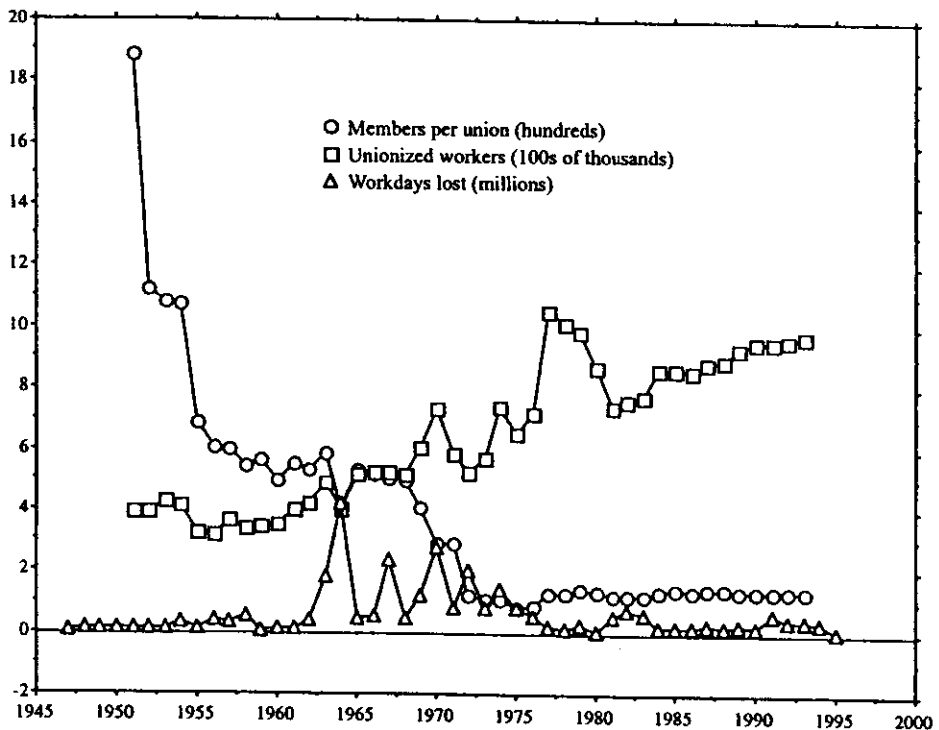


Figure 4.1 *Pakistan: unions, membership and industrial disputes, 1947-95*

ment prepared the way for Pakistan's first general election 23 years after independence by imposing legal hurdles to strikes, by requiring workers to represent themselves, and by removing from unions labor lawyers and political aspirants, who constitute the bulk of labor leaders in India.

Thus, in contrast to India, labor has had little political voice in Pakistan since the late 1960s. Figure 4.1, especially in comparison with Figure 4.2, suggests that the institutional arrangements devised by Pakistan's military government in 1969 were effective in minimizing the influence of organized labor over economic policy decisions. In Pakistan, after 1969,¹⁰ labor unrest, measured in workdays lost in industrial disputes, decreased, while the number of members per union dropped dramatically. In India, the number of workdays lost in industrial disputes climbed through the mid-1980s, when the number of lockouts began to exceed strikes.

This comparative historical perspective on Indian and Pakistani labor institutions indicates that social institutions can be traced to regime types. Specific political regimes – Pakistan's exclusionary authoritarian regimes and India's multi-party electoral democratic regimes – promoted specific social institutions that, in turn, affected patterns of industrial change in discernible ways. In

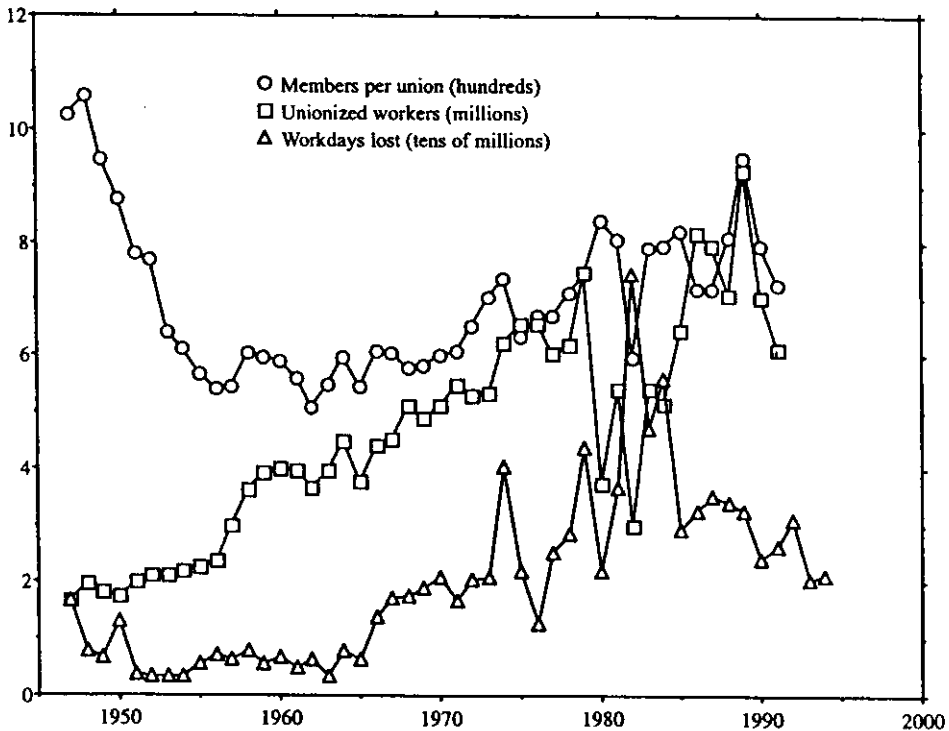


Figure 4.2 India: unions, membership, and industrial disputes, 1947-94

particular, political unionism, as the reversal of privatization decisions in India demonstrates, can exercise veto power over economic policies.

3. Labor Institutions and Privatization

The previous section argued that there is clearly a correlation between political unionism and fuzzy institutions for recognizing unions and selecting union leaders, on the one hand, and effective labor resistance to privatization, on the other. Can we extend the model to India's and Pakistan's neighbors, Bangladesh and Sri Lanka?

In Bangladesh and Sri Lanka, too, all major political parties have significant labor wings. Table 4.3 summarizes the differences in political party–trade union relations in all four countries. It should be re-emphasized that political unionism refers to the influence of political party-affiliated unions within the union movement. Its contribution to deflecting privatization in India notwithstanding, political unionism does not necessarily imply the influence of unions over economic policy decisions.

Figure 4.3 provides a relative ranking of the pace of privatization and strength of political unionism in these four South Asian economies. In Pakistan, where political unionism is most restrained and enterprises have only one legally recognized collective bargaining agent, privatization has been most rapid. In

Table 4.3 Trade union – political party relations in South Asia

India

political incorporation of labor during the 1920–47 independence movement
 strong left political tradition
 strong political unionism

Pakistan

no incorporation of labor during the 1940–47 independence movement
 weak left political tradition (after 1951 Rawalpindi Conspiracy and banning of Communist Party of Pakistan in 1954)
 weak political unionism (after 1969 Industrial Relations Ordinance)

Sri Lanka

political incorporation of labor during the 1915–48 independence movement
 strong left political tradition
 strong political unionism

India, where political unionism is strong and unions establish employers' recognition through threats, unions have effectively halted formal privatization. In Sri Lanka and Bangladesh, which have strong political party-affiliated unions but clear procedures for trade union recognition, privatization has been steady.

The structure of labor institutions, of course, does not explain all privatization outcomes in all places. Interviews with trade unionists and government officials and collection of economic data in Bangladesh and Sri Lanka help to complicate what has, until this point, been a relatively parsimonious comparative historical institutionalist's argument. Sri Lankan workers in enterprises undergoing privatization have received more handsome severance packages and employment guarantees and have faced less overt brutality than have their counterparts in Bangladesh or Pakistan. And, Sri Lanka has not seen the recent increase in the incidence of child labor that India, Pakistan, and Bangladesh have.

The Sri Lankan government was the first in the region, and one of the first in the developing world, to implement a program designed to build an open trade regime and to achieve export-led growth. In response to economic stagnation, high inflation, and high unemployment in the 1970s, the United National Party of Julius Richard Jayawardene promoted, beginning in 1977, currency devaluation, trade liberalization, foreign investment and exports, reduction of government expenditure and the money supply, and privatization. The shift toward a more open economic regime coincided with a shift toward a decidedly less liberal political regime. The 1978 constitution replaced Sri Lanka's Westminster-styled parliamentary democracy with an executive President who appoints the Prime Minister and can remove members of the judiciary and parliament.¹¹ A referendum in December 1982 – involving widespread vote rigging – extended the term of the parliament elected in 1977 to 1989. Under Jayawardene and his successor, President Ranasinghe Premadasa, political violence, replete with death squads, and election fraud were widespread.

In this environment of democratic decay, the Sri Lankan economy went further toward international economic interdependence than all other South Asian economies. The Sri Lankan public sector has been extensively privatized. Despite a very high unemployment rate, privatization in Sri Lanka involved voluntary retirement schemes, comparatively generous compensation packages, and future employment guarantees. The export-led industrialization strategy also generated significant new employment, most of it in export-processing zones (Rodrigo, 1998, pp. 159–200).¹²

How do we explain the willingness of Sri Lanka's political party-affiliated trade unions to allow privatization and negotiate concessions? The centrality of the public sector to economic development ideology does not explain the

difference. In Sri Lanka, as in India, the public sector was intended to guide and even progressively absorb the private economy. The fact that employers – in the case of the public sector, government agencies – negotiate with a single, recognized union helps to explain why Sri Lanka's privatization measures could be extensive, effective at increasing productivity and new employment, and yet be relatively generous to displaced workers.

The degree of international economic interdependence and influence of international financial institutions and donor governments also helps to explain Sri Lanka's privatization pattern. Indicators relating to the external economy, reported in Table 4.1, suggest that Sri Lanka's so-called modern sector is more strongly linked to the international economy than it is to its own traditional, rural sector.

The Role of Female Labor

But well-defined collective bargaining institutions and linkages to the international economy do not tell the whole story. Close examination of employment data and visits to export-processing zones, where the bulk of new employment in Sri Lanka has been created, suggest that the government has been able to promote privatization as well as create new employment because the economy has gone further in the feminization and informalization of labor than other South Asian economies. Five times as many jobs have been assumed by women than by men in the post-adjustment period. More than 80% of the workers in the export-processing zones are female, most of them between the ages of 18 and 25 (Rodrigo, 1998, pp. 186–7). Although surveys find that two-thirds of the employees in the free trade zones are O-level graduates, these women work at low-skill, low-pay, piece-rate jobs without contracts, much less security of employment.

Labor force surveys elsewhere in South Asia suggest a similar trend.¹³ Bangladesh too has seen a movement of women from unpaid family work to paid informal work, especially in the garment industry. In both Bangladesh and Pakistan, however, social restrictions on women's activities outside the home have kept female participation in the official labor force to under 10%. India's more gradual adjustment is accompanied by increased women's casual and contract-based employment and decreased women's formal salaried employment, approximately 1% per year (Deshpande and Deshpande, 1998, L31–L39). The trend is toward feminization and informalization, but the pace of change, like the pace of adjustment, has been far less rapid than in many so-called developing economies. South Asia, in which female participation in the official labor force is 28%, is beginning to look more like Southeast Asia, where it is 42% (Moghadam, 1995, p. 129). As one labor economist put it with

reference to Bangladesh, apparently without intended irony, ‘the next phase of industrialization may ... reap the benefits of the “reserve of surplus female labour”’ (Rahman, 1998, p. 61).

In all of South Asia, public sector workers and trade unionists who negotiate privatization bargain from a position of legally protected, formal employment. The concessions that these trade unionists – who represent formal sector workers – have been able to extract from government during the privatization process fall only to these few formal sector, predominantly male workers, not to the general labor force.

Given the segmentation of organized workers in the formal sector, who are overwhelmingly male, from unorganized, informal sector workers, who are increasingly female, the most interesting development in South Asian trade unionism is the formation in 1995 of the Indian National Centre for Labour. The Centre represents two dozen unions of informal sector workers, workers who are predominantly female. These workers include fish workers, *bidi* (hand-made cigarette) rollers, home-based garment stitchers, domestic servants, and forest product collectors. The Self-Employed Women’s Association or SEWA, which was expelled from the Congress Party-affiliated Textile Labour Association and is now a leading member of the National Centre for Labour, was the principal agent in the adoption of one of the International Labour Organization’s latest conventions, a convention extending the coverage of national labor legislation, which in most of South Asia is quite progressive on paper, to home-based informal sector workers.

4. Conclusions

I have argued here that variance in patterns of privatization and in the manner in which structural adjustment programs are implemented can be traced to the structure of social institutions. The focus on labor institutions – that is, on relationships between trade union and political parties, on mechanisms for the selection of union leaders, and on levels of collective bargaining – institutions that are politically embedded yet wield enormous influence over economic performance, allows us to return the social element to the politics of economic reform. If scholars working with the conventional concepts and methodologies of comparative politics are to understand and explain emerging labor organization and the changing nature of work, then they must develop a theory of labor that can see segmentation of jobs by class, caste, ethnicity, and gender, that can see work sites as shifting and employers as changing, that can see workers not as isolated but as socially embedded, not as individuals, but as communities, conditioned by history and politics.

Notes

1. Author's note: This chapter originated as a presentation to the Department of Political Science at Wellesley College in March, 1999. I am grateful to the Council of Overseas American Research Centers for support for my latest research on the subject. That research was conducted in Bangalore, Colombo, Dhaka, Karachi, Mumbai, and New Delhi from June through August 1998.
2. It should be noted that in the economies of South Asia, as in other so-called 'developing economies', governments possess a substantial stake in 'private' enterprises. There are hundreds of private firms, including India's largest business houses, in which central government financial institutions hold significant shares. According to the Public Interest Research Group, 'there are 297 private sector companies in which public financial institutions along with state level industrial development corporations, central and state governments, jointly held 25 percent of more of equity capital'. See Public Interest Research Group (1992). Similar levels of public investment in private firms can be found in Bangladesh, Pakistan and Sri Lanka.
3. On the human costs of Pakistan's early development strategies, see Candland (2000, pp. 256-72).
4. Sources: Population for UNDP, *Human Development Report 1998*, New York: Oxford University Press, 1998, 176-7. Growth rates of GDP (1980-95) are from *Human Development Report 1998*, 184-5. Labor force as a % of population and employment in industry as a % of total employment from *Human Development Report 1998*, 164-5. Purchasing power parity per capita from World Bank, *World Development Report 1998-99*, New York: Oxford University Press, 1999, 190. Adult literacy rates and female primary school enrollment from Mahbub ul Haq and Khandija Haq, *Human Development in South Asia 1998*, Oxford: Human Development Centre, 1998, 166 and 87. Pakistan's unionization rate is for 1993 and calculated from Ministry of Labour, *Pakistan Labour Gazette* (July 1993 to June 1994), Karachi: Manager of Publications, n.d., 166 and 170. Sri Lanka's unionization rate is calculated from Ministry of Finance and Planning, *Statistical Abstract of the Democratic Socialist Republic of Sri Lanka 1996*, Colombo: Department of Census and Statistics, 1996, 58 and 77. Pakistan unemployment rate is from the Ministry of Finance, *Economic Survey 1997-98*, cited in Economic Intelligence Unit (EIU), *Pakistan Afghanistan Country Report 1998*, London: EIU, 1998, 33. India's unemployment rate is for 1993-94 and is from National Sample Survey Organization, *Savekshana*, 50th round, Delhi. Sri Lanka's unemployment rate is for 1993-94 and is from *Statistical Abstract of the Democratic Republic of Sri Lanka 1996*, 105, 113. Shares of wages in value added and direct foreign investment are from International Labour Office, *World Employment Report 1996/7*, Geneva: International Labour Office, 1996, 152 and 167. Foreign assistance and external debt are from *World Development Report 1998-99*, 231. Pakistan's exports are for 1997-98 and is from *Pakistan Afghanistan Country Report 1998-99*, 31. India's exports are for 1996 and is from EIU, *India Country Report 1998-99*, London: EIU, 1998, 71 and 73. Sri Lanka's exports are for 1996 and from EIU, *Sri Lanka Country Report 1998-99*, London: EIU, 1998, 40.
5. It should be noted that Pakistan, like Bangladesh, was undergoing a transition from military rule while initiating privatization. India had already established a firm electoral regime. Sri Lanka saw a decay of electoral democracy.
6. Senior World Bank Economist for India (anonymous), World Bank, interview, Washington, DC, 17 June 1992.
7. Bashir Bakhtiar's *Pakistan Mazdoor Terik aur Mai* (The Pakistan Labor Movement and Me), a pamphlet, is one of the very few sources on the period. Written by a leading Pakistani trade unionist, it is an engaging memoir of efforts to organize unions in the face of British colonial and upper caste repression. I am translating the pamphlet from Urdu into English. Also important is Zafar Shaheed (1977) and Amjad and Mahmood (1982).
8. The laws related to students organizations, the other social force that spearheaded the street

protests against the military government, were also written by the outgoing martial law government of Yahya Khan so as to limit the influence of political parties in student activism.

9. Air Marshal (retired) Noor Khan, interview, Karachi, 28 and 29 March 1995.

10. Workdays lost in the preferred indicator of labor unrest because it combines the number of workers involved with the duration and, of course, the number of strikes.

11. The latter power falls to the Prime Minister in her capacity as head of the ruling party.

12. Earlier estimates suggested that it would not. See Kelegam and Wignaraja (1988).

13. For Bangladesh, see Bhattacharya (1997, pp. 37–8).

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Privatization and Labor

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