Research Article
Volume-8 | Issue-3| Jul-Sep-2022|

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VEETHIKA-An International Interdisciplinary Research Journal
E-ISSN: **2454-342x**
Double Blind Peer Reviewed Journal
URL: https://veethika.qtanalytics.in

Inequality, Informality, Marginality and Unemployment (IIMU) in Indian Labor Market during Covid-19 Pandemic

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ABSTRACT: This paper examines inequality, informality, marginality and unemployment in Indian labor market during Covid-19 Pandemic. These four concepts are dynamically examined in the context of wage code, 2019 and the recent three labor codes, 2020 passed in parliament by the central government to expand the neo-liberal global capitalism agenda to increase surplus rate via higher exploitation rate of workers. The paper also critically analyses the economic package announced by the government with insignificant share of fiscal policy measures rather monetary policy measures including loan and credit. Alternatively, this paper advocates a fiscal stimulus package to counter the challenges of lives and livelihood of the workers especially informal workers in the Indian labor market.

KEYWORDS: Absolute Surplus and Relative Surplus, Wages and Profit, Wage Code and Labor Code Bills, Fiscal Stimulus Package, Indian Labor Market

1. BACKGROUND

The government of India accepted that Indian economy is in recession as the real GDP growth rate reported negative 7.5% in the second quarter of 2020-2021 (July-September) during in Covid-19 Pandemic, in to comparison to the last year quarter of 2019-2020. There was negative 23.9% real GDP growth rate in the first quarter of 2020-21 (April-June), which is highest negative real GDP growth rate at global level reflecting poor governance of the Indian government during Covid-19 pandemic. One of India's topmost economists (Arun Kumar) has estimated that India's Gross Domestic Product (GDP) decline was around 50%, and not 24%. According to him, CMIE estimated unemployment at around 122 million workers. However, the actual figure "stands at over 200 million", if one incorporates the unorganized or the informal sector. He advises the CMIE to "reconsider its sample", as it allegedly did not take into account the workers who migrated to their natives, leading to its "underestimation." In the Covid-19 Pandemic, with economic and health crises, there is an opportunity for the monopolists like Adani and Ambani for expanding their business empire. As the consolidated net profit of Adani Enterprises increased 7-fold to Rs 570.14 crore for the first quarter April-June, 2020 as compared to only Rs. 80.14 crores in the last year first quarter April-June, 2019 (ET, 2020). 230 % increase in income of Adani Enterprises in the period of 2014-2020. The net profit of Reliance Industries (RIL) increased by 31% to Rs. 13248 crores in first quarter (April-June), 2020 from Rs.10141 crores in the last year first quarter (April-June), 2019 (Economic Times, 2020).

The poor performance of GDP growth rate has mainly started since November 2016 with the unilateral implementation of devastating policy of demonetization and there after Goods and Services Tax (GST) in 2017. These unilateral decisions of the Modi government dismantled the Indian economy especially the informal and unorganized sectors, created more vulnerability for the workers with their loss of employment and wages. After the outbreak of the Covid-19 pandemic once again unilateral decision of stringent national lockdown for four months (March-June, 2020) and unlocking of various economic activities in next 6 months (July-December) by the central government devastated the economy in terms of lives and livelihood of the workers and people. The Modi government is working in the frameworks of neo-liberalism and neo-conservatism or

DOI: https://doi.org/10.48001/veethika.2022.08.03.001

Hindutva. These features of capitalism in India in the light of the neo-liberal and Hindutva state, can also be linked to the citations of Patnaik (2020) and Harvey (2012). The citation of Marx by (Pattnaik, 2020): Growth under capitalism is associated with an increase in absolute poverty. Marx had recognised this and expressed it as follows: “Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, the torment of labour, slavery, ignorance, brutalisation and moral degradation at the opposite pole, i.e., on the side of the class that produces its own product as capital” (Capital Volume I); or again, “As productive capital grows…the forest of uplifted arms demanding work becomes ever thicker, while the arms themselves become ever thinner” (Wage Labour and Capital). Further the neo-conservatism with reference of India explained by Harvey (2012) as “Religion and cultural nationalism provided the moral heft behind the Hindu Nationalist Party’s success in importing neo-liberal practices into India” (Harvey, 2012). These two processes have a larger scale of poverty, inequality, and unemployment. These indicators are intermingled with the vulnerability of informality and marginality of the people and workers in the Indian labor market. The higher income and wealth-inequalities are intermingled with Indian economic growth trajectory in the 1990s and 2000s, as top 1 % owned 58% wealth in 2017, 73% in 2018 and 84% in 2019 (Oxfam, 2019). Only 2 % regular or permanent workers have income more than Rs.50000 per month in 2017-18, this implies that 98% of workforce of 55 crore around earn less than Rs. 50000 (University, 2018). These inequalities led to underutilization of human potential due to economic inequalities, social exclusions and unemployment resulting in capability deprivation or alienation of workers, which in turn has led to lower social efficiency in Indian Labor Market.

As India has been ranked 129th among 158 countries in Commitment to Reducing Inequality (CRI) Index in 2020. The Global Hunger Index of India stood at 94th out of 107 Countries in 2020. So there are challenges of socio-economic inequality and unemployment in the economic growth rate in India (Verma et. al. 2019). The Pre-Covid-19 Pandemic Period witnessed these challenges but these challenges have further worsened by the neo-liberal state of India in covid-19 pandemic. The government have passed 3 Labor code bills and 3 farmer-bills in the months of August and September, 2020 to reform the Indian labour market and agriculture sector. One wage code bill passed in 2019 to reforms in Indian labour market. The workers and farmers and their organizations and the trade unions are saying these are not reforms but these are deforming and diluting and worsening lives and livelihood of the workers and farmers. Along with these bills, the government could not ensure the livelihood via implementing right policy framework in the Covid-19 pandemic as there are lukewarm government actions to resolve recession and health crisis, using monetary policy measures of loans and credit rather than an expansionary fiscal policy (Gupta and Mittal, 2021).

There is an argument of the advocates and the government of labor reforms that we would have lower labor costs in terms lowering wages to gain competitiveness at global level, especially in comparison to china. But reality is different that the consultancy firm Genimex (2020) cited by (Nath, 2020) that the average cost of manufacturing labor per hour in India was $ 0.92 as compared to $3.52 in China during 2014. Further they cited another report that minimum hourly wages in India is three times lower at $0.61 than China ($1.73). Thus, the logic of neo-liberal labor reforms is not justified as India is not in the category of higher paying nations. Moreover, they also referred that Indian state treats the Covid-19 pandemic as an opportunity to work in the interests of capitalists rather than workers or farmers or general masses and diluting the labor laws by deregulating the labor laws to promote extraction of absolute surplus in terms of higher working hours and lower wages, higher labor productivity via increasing work intensity and use of more capital accumulation. In the context of above background, paper is examined the rising socio-economic inequality and informality and increasing unemployment. The paper is divided into five sections: (i) Background, (ii) Data and methodology, (iii) Descriptive Analysis of inequality and unemployment, (iv) Panel Regressions on wages-profits and labor productivity and (v) conclusions

2. DATA AND METHODOLOGY

In the light of the above background, there are two boarder objectives to examine of this paper: (i) to examine descriptively with macroeconomic level data on inequality, informality, marginality and unemployment in Indian labor market, as these issues are instrumental for expansion rates of absolute and relative surplus. The absolute surplus is defined as increasing working hours to increase more production and exploit more workers and the relative surplus is process of more surplus work via under payment of wages and increase in the speed of work and intensity via using more constant capital and capital accumulation from the workers. The second objective is to examine empirically the relationship between wage and profits and the relationship between output and labor to measure the labor productivity. The main purpose is to examine these two relationships to econometrically estimate the coefficient of profits to wages and measurement of the labor productivity. These two objectives are analyzed to critically examine the 4 labor laws under the influence of neo-liberal regime for extraction of both the surpluses. The Indian state is withdrawing support from the rights of workers and benefitting the capitalists with these laws, especially in the times of Covid-19 pandemic. The data used for these analyses are report and unit level data of the World Bank (2020), International Monetary Fund (2020), UNCTAD (2020), Annual Survey of Industries (ASI) via using EPW

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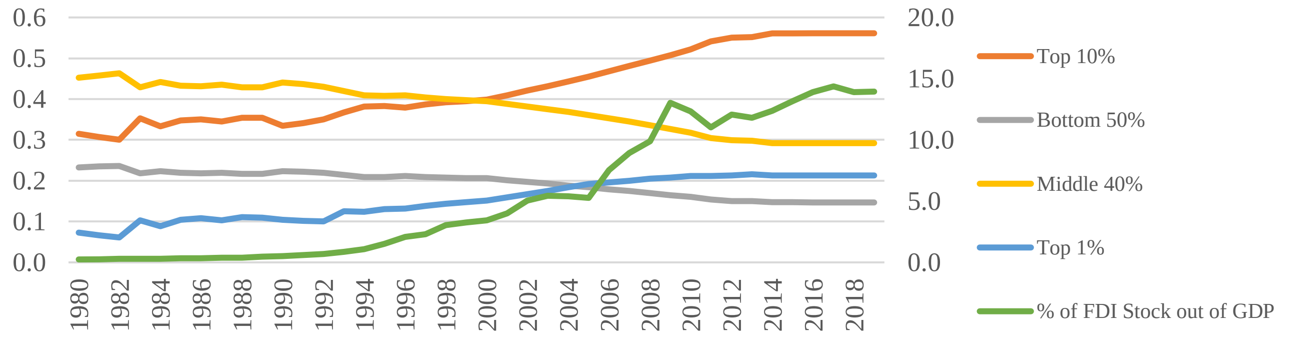
Figure 1: FDI Stock (% of GDP-RHS) Percentage Shares of Income (Top 1%, Top 10%, Middle 40% and Bottom 50%-LHS) in India: 1980-2019



Source of Data: Authors constructed this graph using the data (UNCTAD, 2020) and (WID, 2020).

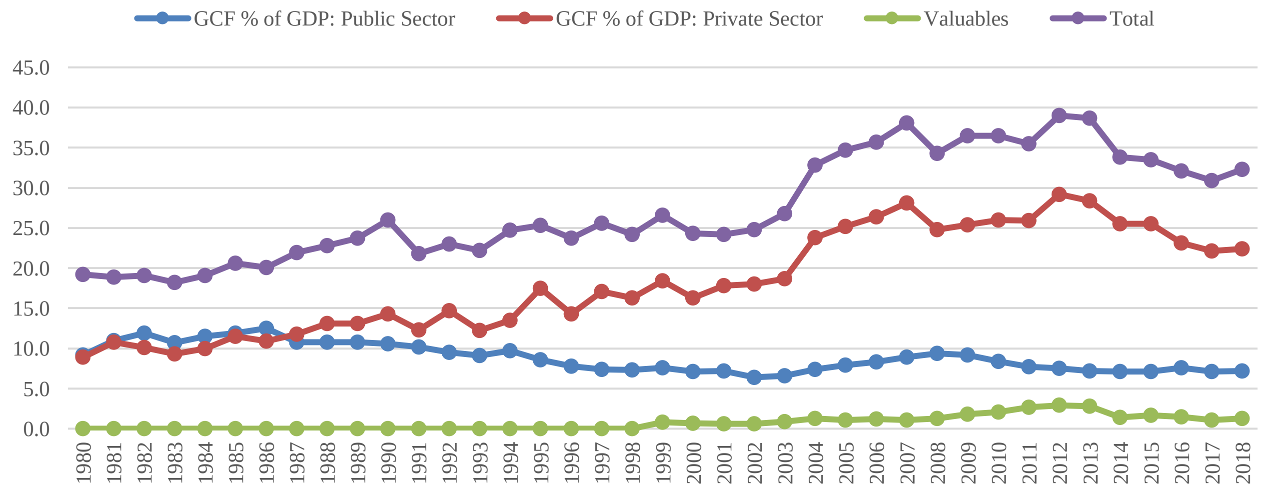
times series data, National Sample Survey Office (NSSO), Oxfam Report on Wealth Inequality (2020), CMIE Data (2020), World Inequality Report (2020), Economic Survey 2019-2020 and RBI (2020).

3. Economic Inequality, Social Inequality and Unemployment as reserve army of Labor

The higher income-inequality is a resultant of the GDP growth path in India especially since early 1990s with implementation of New Economic Policy-1991 (Liberalization, Privatization and Globalization) to start neo-liberal reforms for the extraction of more surplus via more private capital (domestic and foreign). The higher economic class or upper caste and class or elites got more benefits out of these neo-liberal reforms (Patnaik, 2020 and Harvey, 2012). As Figure 1 shows that Top 10% rich economic class have increased their share of income in India from 30% (0.3) around in 1980s to 40% (0.4) around in 1990s to 50% (0.5) in the first decade of 21st century and 60% (0.6) during the second decade of the 21st century. This implies that 10% increase in share of income of top 10% rich economic class per decade in last forty years of the neo-liberal economic reforms. The bottom 50% shares declined drastically from 20% in 1980s and 1990s to 10% since early 2000s and has been a declining trend up to 2019 during pre-Covid-19 pandemic. The middle-income 40% share is also declined from 50% in early 1980s to 40% in 1990s and up to early 2000s and further declined to 30% in mid 2000s and later it is stagnated to 30% upto 2019.

Under the LPG policies, the role of domestic and foreign capital increased, which are important instrumental factors to expand the income-inequality in India. The percentage share of stocks of foreign direct investment (FDI) has significant increased from 0.2 % in Indian GDP during 1980, 0.5% in 1990 and 1.5% in 1995, 3.4% in 2000, 5.2% in 2005, jumped to 13% in 2010 and 13.2% in 2015 and 14% in 2019, reflecting higher role of global finance in Indian economy, showing a correspondence with a rise in income-inequality

Figure 2: Percentage Shares of Public and Private Sectors in Gross Capital Formation (GCF) in India : 1980-2018



Source of Data: Authors constructed this graph using the data (GOI, 2020).

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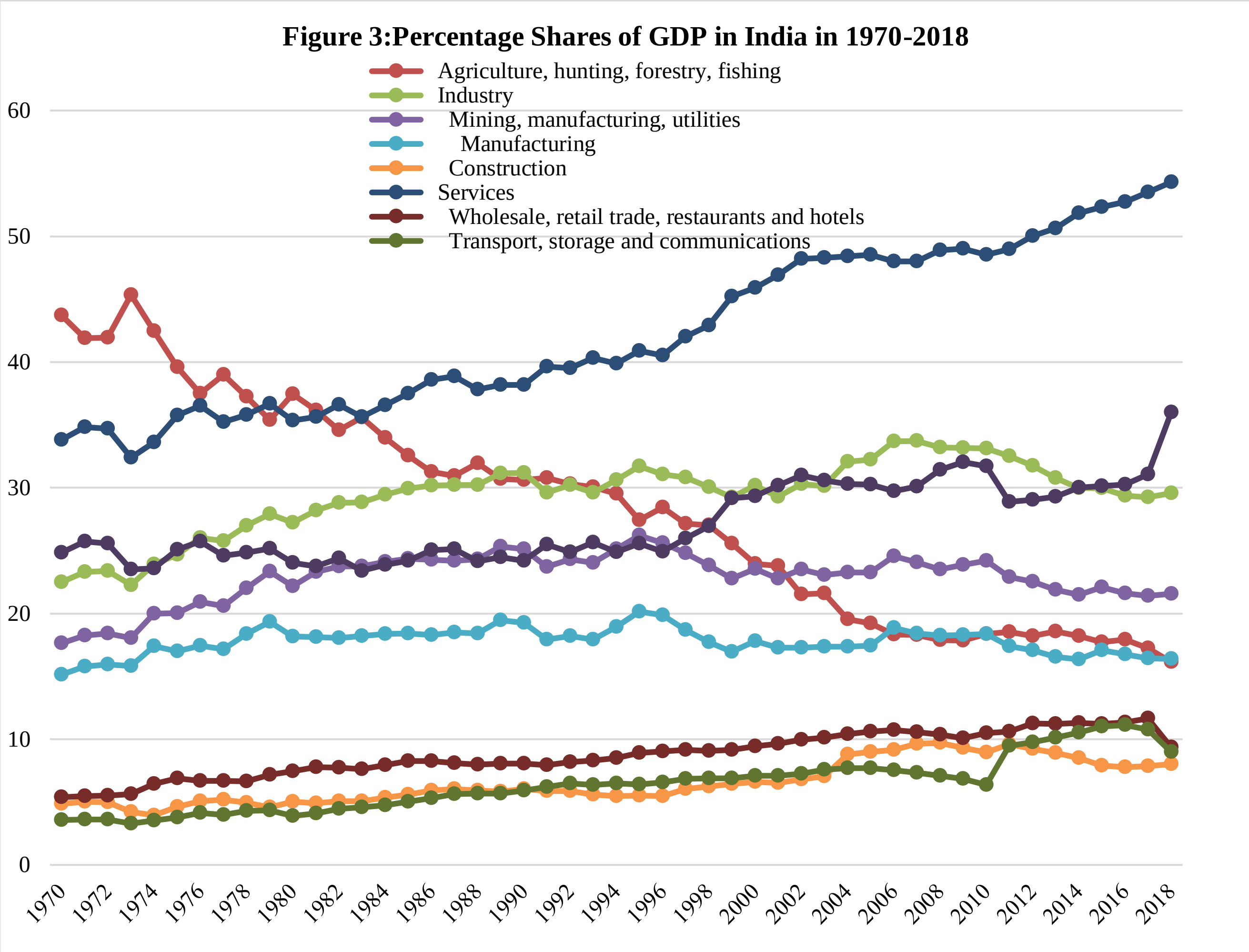

Source of Data: Authors constructed this graph using the data (UNCTAD, 2020) and (WID, 2020).

The domestic private capital is also complemented the foreign capital as the share of private sector in gross capital formation (GCF) in Indian GDP has increased from 9% in 1980, 14.3% in 1990,17.5% in 1995, 16.3% in 2000, 25.2% in 2005, 26% in 2010, 25.5% in 2015 and 22.4% in 2019, showing higher role of private sector capital in India, however the crisis of neo-liberal reflecting in terms a slight declining in the share of GCF since 2010, it can be linked to emerging onslaughts of the neo-liberal labor and farming laws for the farmers and working class via siding the neo-liberal state with neo-liberal market via Hindutva as neo-conservativism as emergence of Modi phenomenon as a counter-revolution since 2013-2014.

Figure 3 shows the share of agriculture, industry and manufacturing sector and services sector in Indian GDP, reflecting declining share of agriculture GDP from 44% in 1970 to 37% in 1980, 32% in 1990, 27% in 1995, 24% in 2000, 19% in 2005, 18% in 2010, 17.7% in 2015 and 17% in 2018. Showing declining role of agriculture in GDP, this shows a structure imbalance in terms of share of workforce is highest in Indian agriculture sector. The share of Indian services sector in GDP was 34% in 1970 and 35% in 1980 and 38% in 1990, thereafter it is increased to 46% in 2000 and 49% in 2010 and 54% in 2018, showing an impact of rise in the information, communication and technology (ICT), finance, banking, business, transport, and other services. The Indian industrial sector faced stagnation as its share was 22% in 1970, 27% in 1980, 31% in 1990, 29% in 2000, 31% in 2010, 30% in 2018. The industrial stagnation has correspondence with share of manufacturing sector, its share was 15% in 1970, 18% in 1980, 19% in 1990, 18% in 2000, 18% in 2010, 17% in 2015 and 17% in 2018, it shows stagnation in the Indian manufacturing sector. The share of organized manufacturing increased from 6.8% in 1980-81 to 8.7% in 1991-92, 9.8% in 2004-05, 11.6% in 2011-12 (Dennis, 2017).

The shares of unregistered manufacturing sector declined from 8% in 1980-81 to 6% in 1990-91, to 5% in 2004-05 and 2011-12. A majority of workers are informal and vulnerable due to poor working conditions and along the neo-liberal period since 1990s the informality also increased at greater scale in Indian organized manufacturing sector as well as other non-agriculture sector and agriculture sector are informal in their work and disguised employment or underemployment are dominant and have huge surplus labor and adverse terms of trade for the agriculture products rather industrial and services sector products. The detailed analysis of organized manufacturing sector and other sector informality examined further as well as

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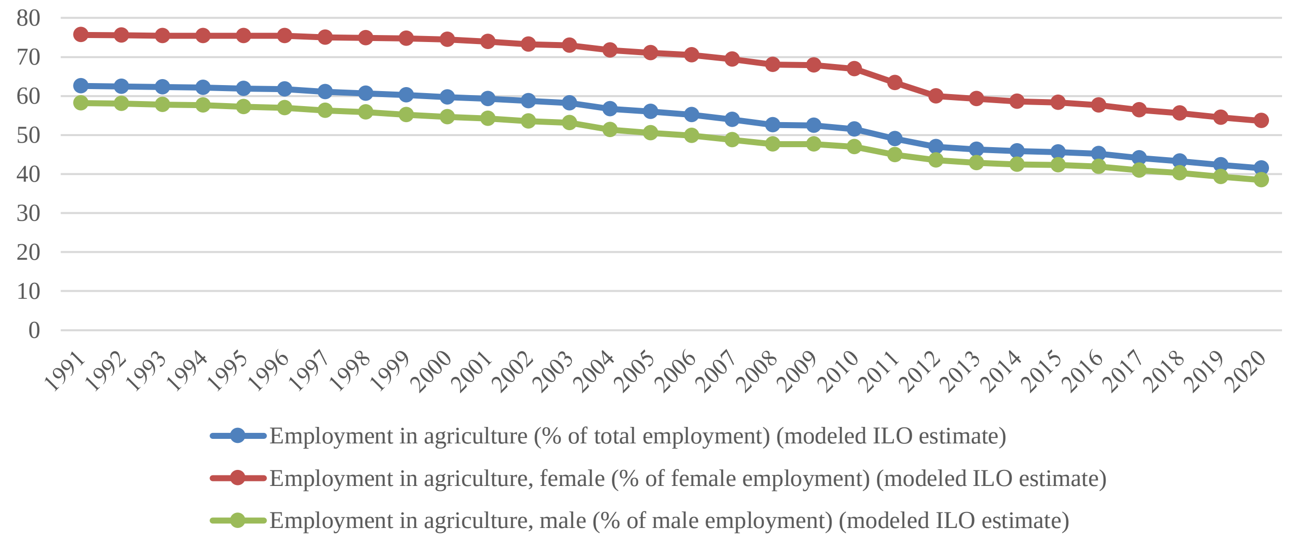
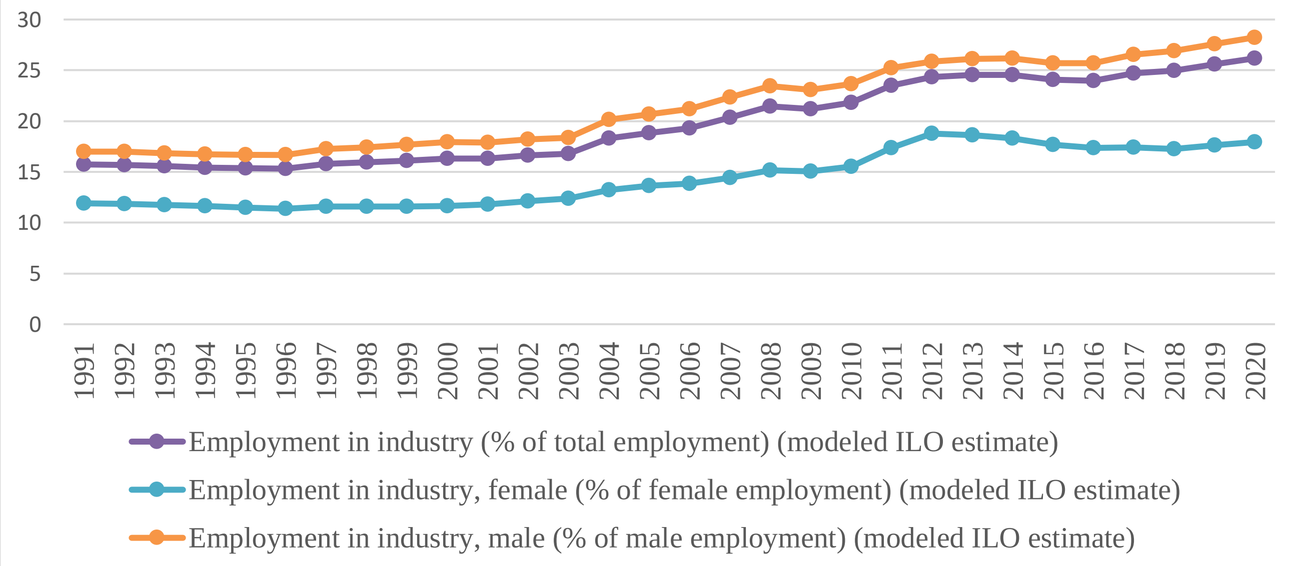
Figure 4: Employment Share in Agriculture Sector by Male and Female: 1991-2020



Source of Data: Authors constructed this graph using the data (WB, 2020)

the process of lower wages and higher labor productivity led to increase in relative surplus. Marginality in Indian Labor market: Gender, Religion and Caste in Indian Labor Market. In Indian agriculture sector, the share of female was 76% in 1991 which declined 54% in 2020 and 58% males were in Indian agriculture sector in 1991 and it is declined to 38%, showing a decline of both gender, but agriculture entrapped with the disguised unemployment so the female had to face more problem the underemployment and adverse terms of trade in comparison to males, reflecting their marginality. The shares of males are higher in industrial and services sectors, in comparison to female shares reflecting marginality of females (Figures 5 and 6).

Figure 5: Employment Share in Industrial Sector by male and Female: 1991-2020



Source of Data: Authors constructed this graph using the data (WB, 2020)

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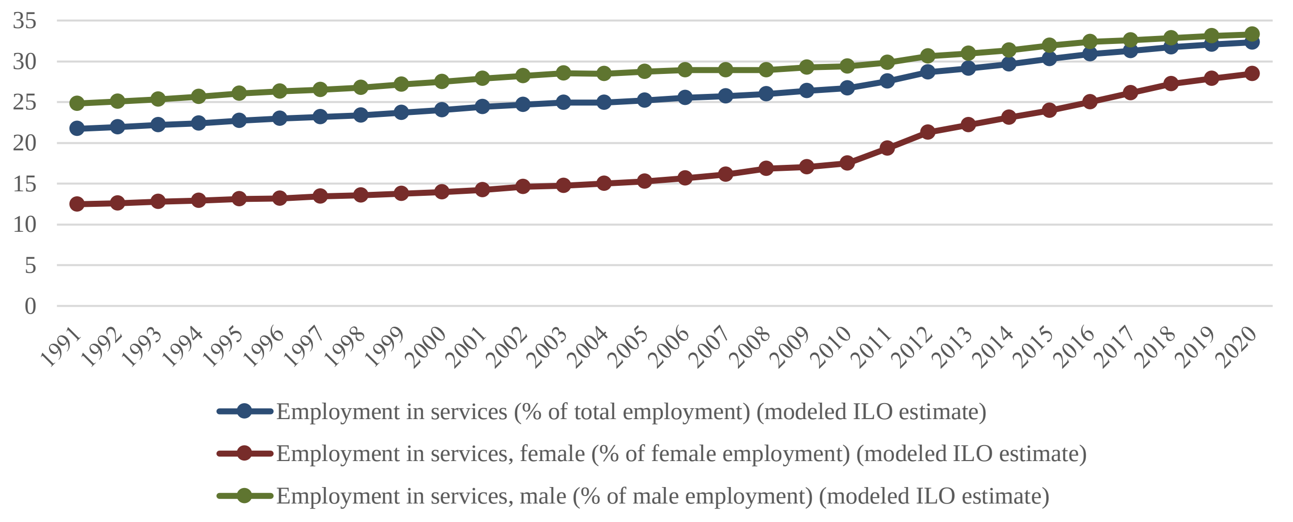
Figure 6: Employment Share in Services Sector by male and Female: 1991-2020



Source of Data: Authors constructed this graph using the data (WB, 2020)

Along with surplus labour in the agriculture sector, there are issues of informality as poor working conditions in the non-agriculture sectors, viz., industrial and services sectors. As the share of informal workers in these two-agriculture sectors has increased from 75% in 2010 to 80% in 2018. The score of index of ease of doing business has increased from 55 in 2015 to 71 in 2019, showing the leverage provided by the Indian state for foreign and domestic capitalists via FDI as well as domestic private capital to extract more surplus via informality and other means.

The informality in the Indian organized manufacturing sector is also estimated as the share of contractual workers was low 20% in 1999-2000, which increased to 37% in 2017-18, reflecting increasing informalisation of formal sector in the search of more surplus

Figure 7: Increasing Informal Employment Share in non-Agriculture Sectors and Increasing Scores of Ease of Doing Business in some years of 2010-2019

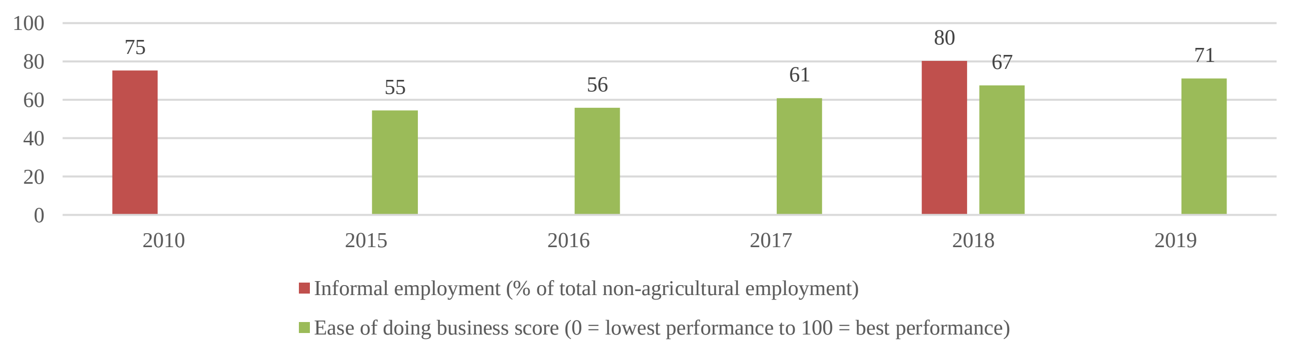
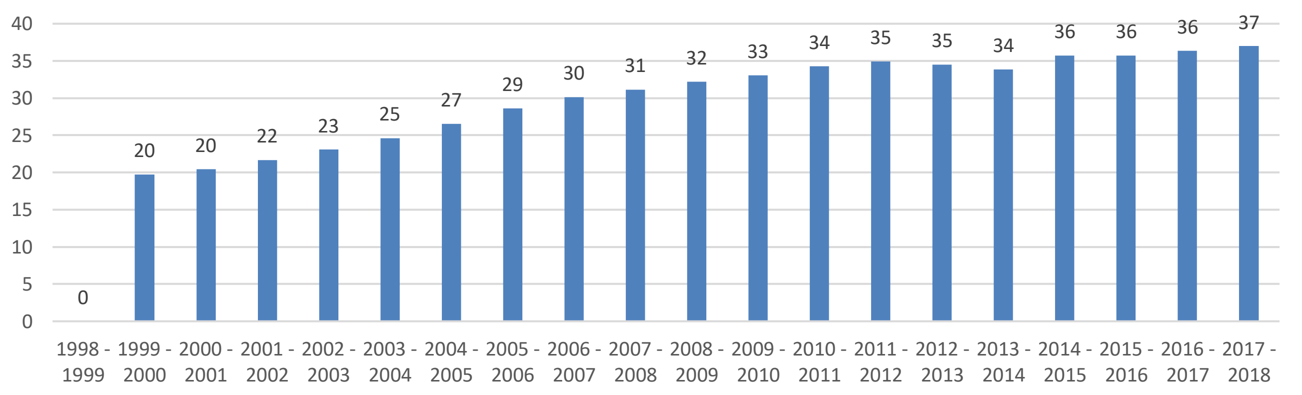


Figure 8: % of Contarctual Workers from 1999-2000 to 2017-18



Source of Data: Authors constructed this graph using the data (WB, 2020)

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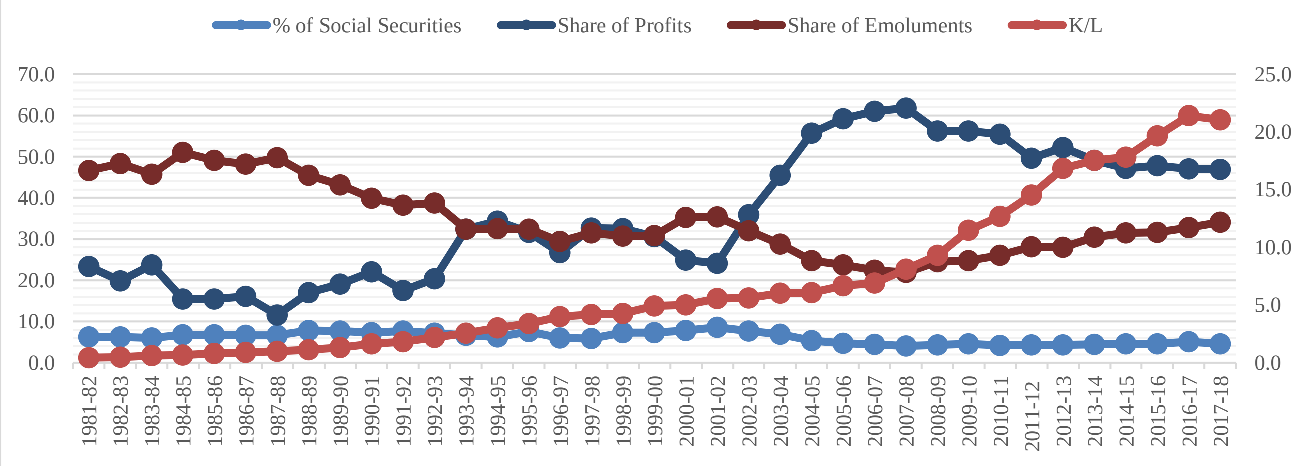
Figure 9: Expanding Relative Surplus via Increasing Shares of Profit, Declining Shares in Wages, Declining Share of Social Securities and Expanding Capital-Labour Ratio



Economic inequality, Informality and marginality in Indian Organized Manufacturing Sector

Economic inequality, informality and marginality are examined by using ASI data. Profit-Wage inequality as an increasing surplus and rate of exploitation of workers, especially blue-collar workers. The profit share in net value added is 47% in 2017-2018 and wage share is 34% in 2017-2018. The profit share was 23% in 1981-82 and wage share was 47% in 1981-82. The increasing share of profits as compared to that of wages can also related to the use of capital-intensive technology in the manufacturing industry during neoliberal reforms. 0.4 was the capital-labor (K-L) ratio in 1982-83 which increased to 21 in 2017-18, implying that Rs. 0.4 lakh generated 1 worker job however 21 lakh generates 1 worker job in 2017-18, reflecting increasing surplus.

The increasing gap between average productivity of worker and wages paid over the neo-liberal period as Rs. 0.10 lakh was average wage in 1981-82 and the labor productivity was Rs.0.20 lakh. Now the average wage is Rs. 7.9 lakh and wage paid on an average was only 2.7 lakh, reflecting an increasing gap between the productivity and wages, showing a surplus generated by the employers by paying lower wages and using workers with higher productivity via expanding capital-intensive technology as well as increasing the work-intensity of the workers. The Compound Annual Growth Rates (CAGR) of Profits, Wages, Employment, Output, and Capital are estimated to show the higher growth rates of profits in the three periods in Pre-Reform Period (1982-1990) and two Post-reform Periods (1991-2000 & 2001-2018).

LABOUR LAWS: REFORMS OR DILUTION OF WORKER RIGHTS

The ten worst countries for workers in 2020 are the following: Bangladesh, Brazil, Colombia, Egypt, Honduras, India, Kazakhstan, the Philippines, Turkey and Zimbabwe. Honduras has joined this group for the first time, while India's repressive labour legislation has seen it re-enter since it first appeared in 2016. The main

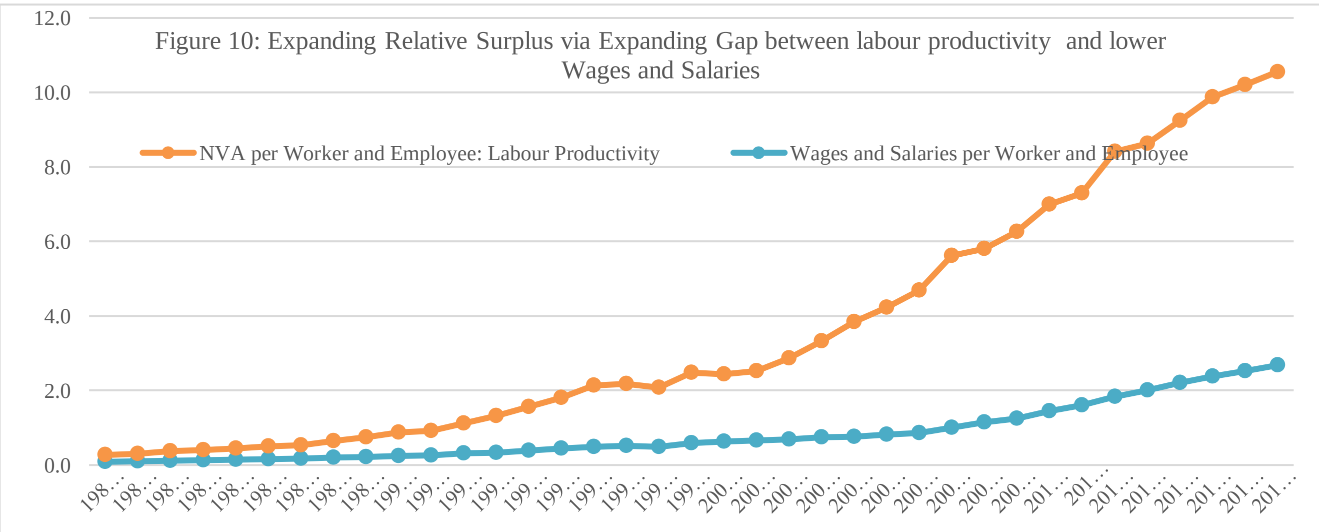


Figure 10: Expanding Relative Surplus via Expanding Gap between labour productivity and lower Wages and Salaries

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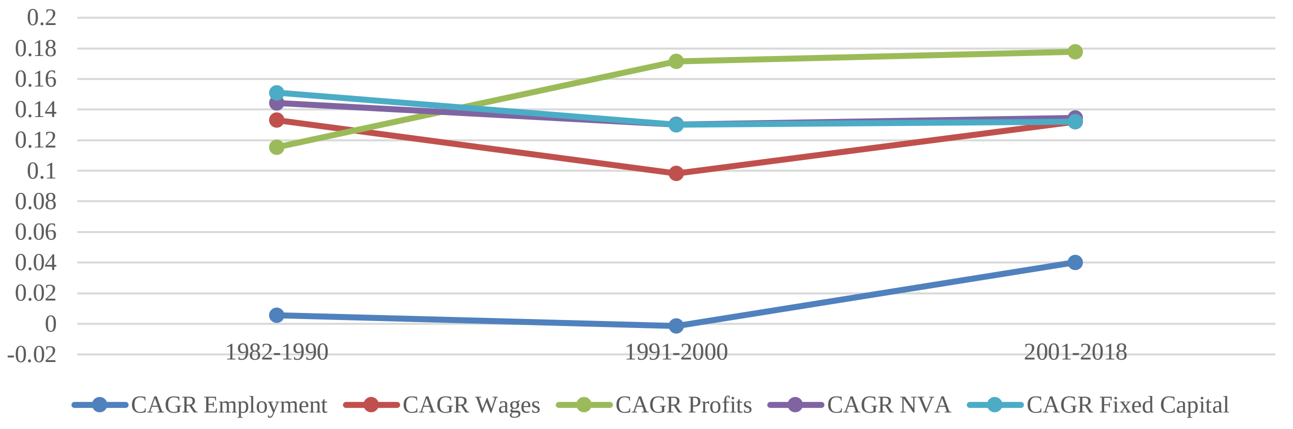
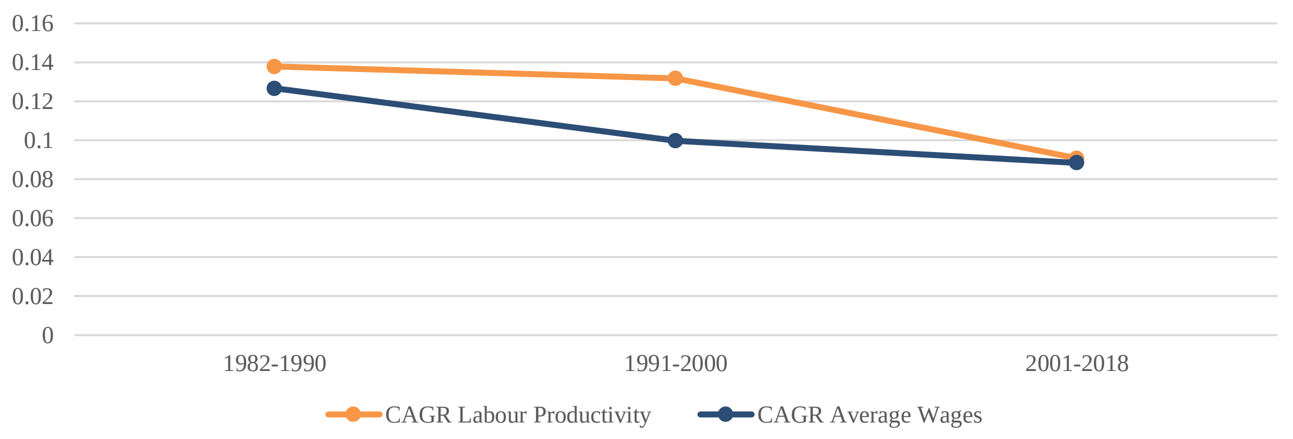
Figure 11: Compound Annual Growth Rate (CAGR) of Employment, Wages, Profits, Net Value Added and Fixed Capital in Pre-Reform Period (1982-1990) and two Post-reform Periods (1991-2000 & 2001-2018)



reasons for the worst ranking of India as per the The second report of the ITUC(2020b), loss of the employment is the most worried factor at the global level as at least eight out of every ten people in the five most worried countries are South Africa, Bulgaria, India, Brazil and Chile, as the people are worrying about losing their jobs in the Covid-19 pandemic and 72% are worrying because of the dilution of labour laws and 46 % workers lost at least one family member jobs (ITUC, International Trade Union Confederation 2020 Global Poll, 2020). 78% people worried about rising inequality and 69% worried due to rising male-female inequality. 32% of hours worked paid by the employers There are restrictions of the peaceful protest as reflected by the percentage share of 66% people, which is second highest at global level than 71% in Bulgaria. 59% youth are expecting to have jobs in coming days in the post-Covid-19 pandemic. Higher working hours are already in India why the Indian policy makers are increasing from 8 hours to 12 hours as 25% of people work in the weekend in India as it is highest in comparison to global share is 16%. The higher working hours are also reflected in the ASI data for the period 1981-82 to 2017-18.

Another question asked in the survey that Who has the power to set economic rules? The corporates' interests reflected by 53% people and Top 1% interests by 51% people. Optimism is also there with the question that Should unions play an active role in society? 75 % of Indians think that Trade Unions have a role to play in society as 68% the global average for this question on the role of trade unions in society.

Figure 12: Compound Annual Growth Rate (CAGR) of Labour Productivity and Average Wages in Pre-Reform Period (1982-1990) and two Post-reform Periods (1991-2000 & 2001-2018)



Source of Data: (ITUC, The World's Worst Countries for Workers, 2020)

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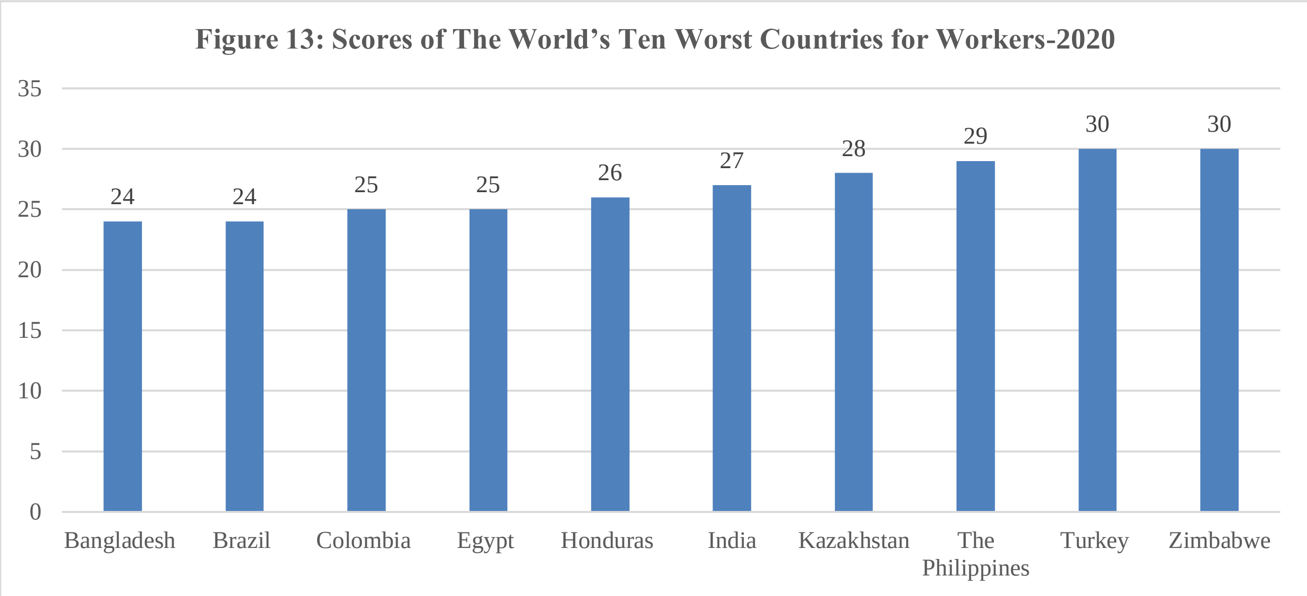

The declining bargaining power of the workers declined over the neo-liberal period in the Indian factories as the Indian Labor Yearbook 2017, issued by the Ministry of Employment and Labor, Government of India. No significant resistance against four labor code bills from workers and trade union reflected by the lower bargaining power and higher surplus via both absolute and relative across factories and states in neo-liberal India. The higher working hours via contractorisation and informality of workers 80-95% workforce and 98% of workers are getting less than Rs.50000. The contractualisation has been increasing in the formal/organized sectors. The percentage share of factories inspected out of total factories has declined from 63% in 1983 (Sood et.al, 2014) to 22% to 15% in one year from 2013 to 2014 as per Indian Labor Yearbook, 2017, showing a reluctance of Indian state to deregulate the industries to work in the favor of employers as reflected in the labour code bills as the labour inspector projected as a facilitator for the employer to do ease of doing business rather than protect the rights of workers. The vulnerability of these informal workers reflected in the Covid-19 pandemic and their treatment by the neo-liberal state. The various reports on precarity and vulnerability reflected of the informal and migrant workers and their challenges of lives and livelihood. The workers are also divided on the basis of caste and gender as reflected by their marginality in Indian labor market.

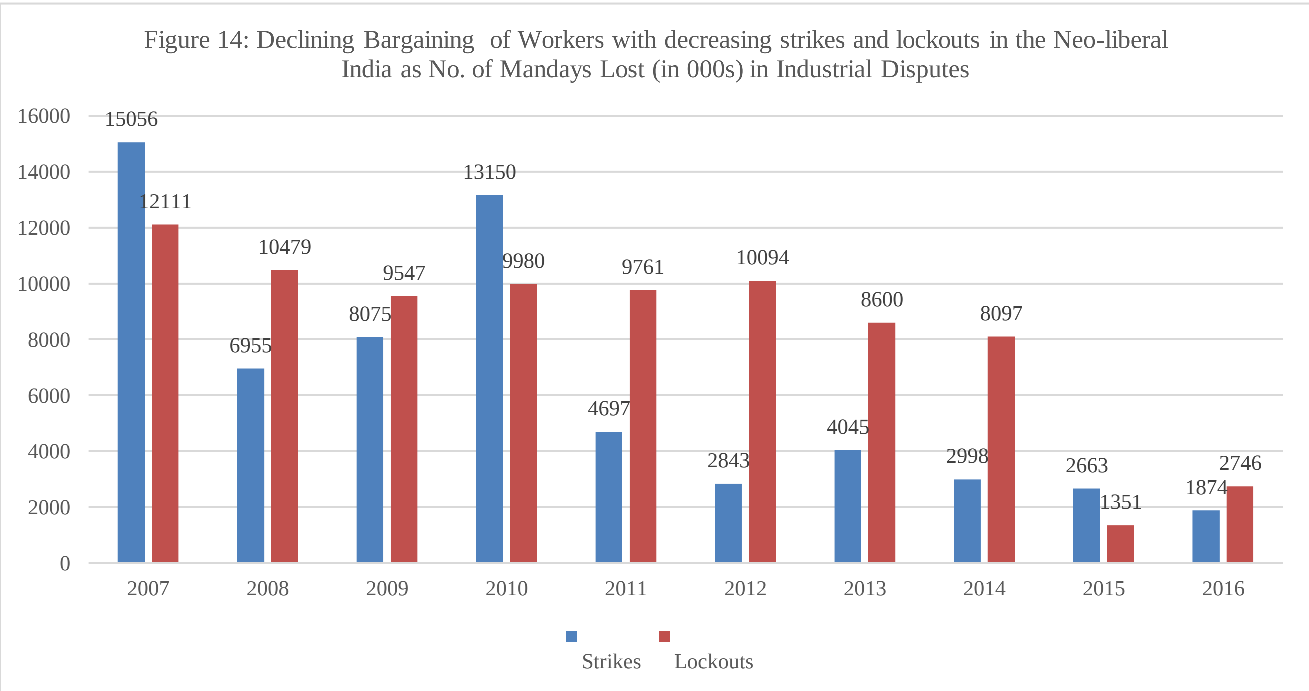

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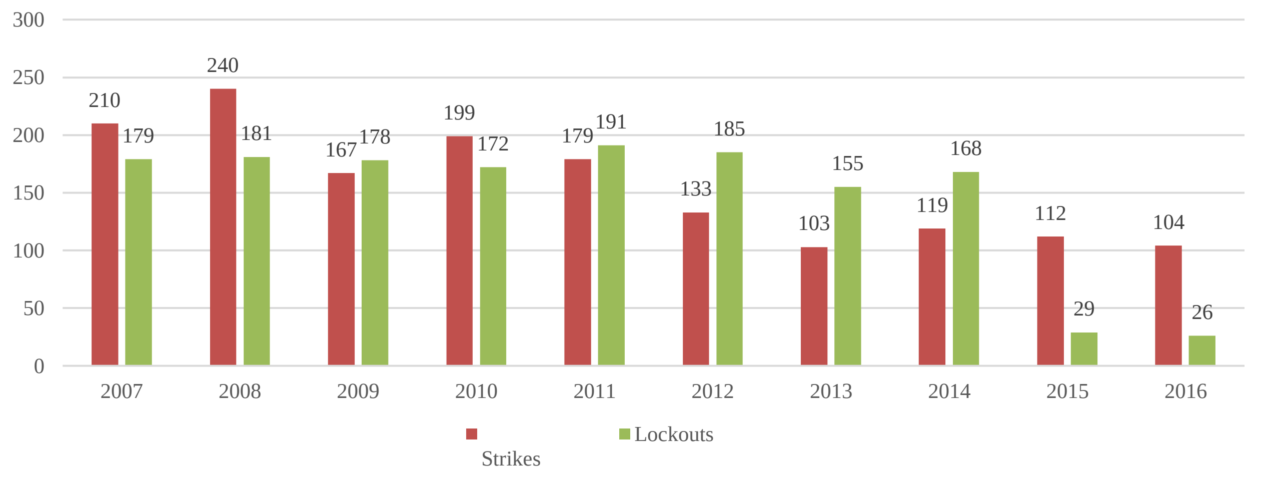
Figure 15: Declining Bargaining of Workers-No. of Disputes in Strikes and Lockouts in 2007-2016



Data Source: (ITUC, The World's Worst Countries for Workers, 2020)

The increasing absolute surplus in the Indian organized manufacturing sector is also measured by the higher numbers of the worker and employee days, which increased to 305 each in 2017-18 from 276 (working days) and 277 (employee days) in 1981-82. These higher working days reflect the absolute surplus created in the formal sector of the manufacturing sector. Recently, the central government increased the maximum limit of working hours per days from 8 hours to 12 hours, showing onslaught on the worker rights as also reflected in the international trade union confederation survey during the survey in the Covid-19 pandemic.

Figure 16: Declining Bargaining of Workers-Number of Workers Involved in Lockouts and Strikes: 2007-2016

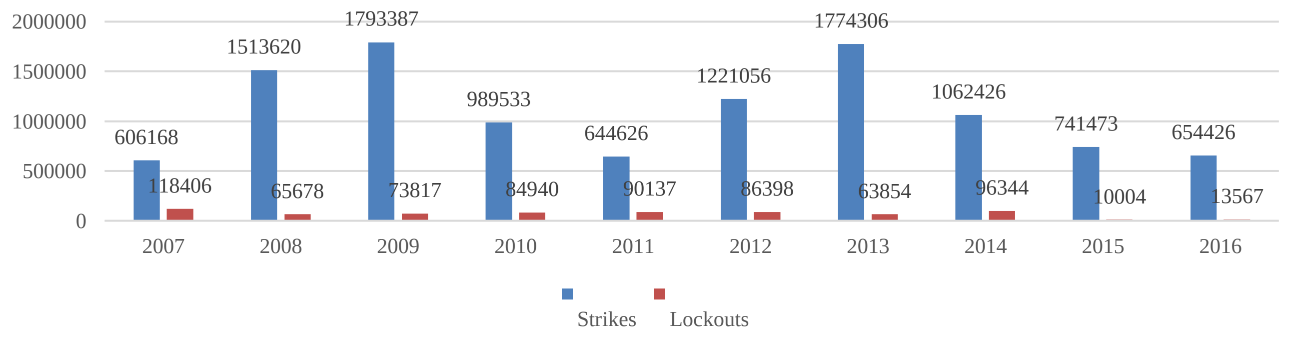
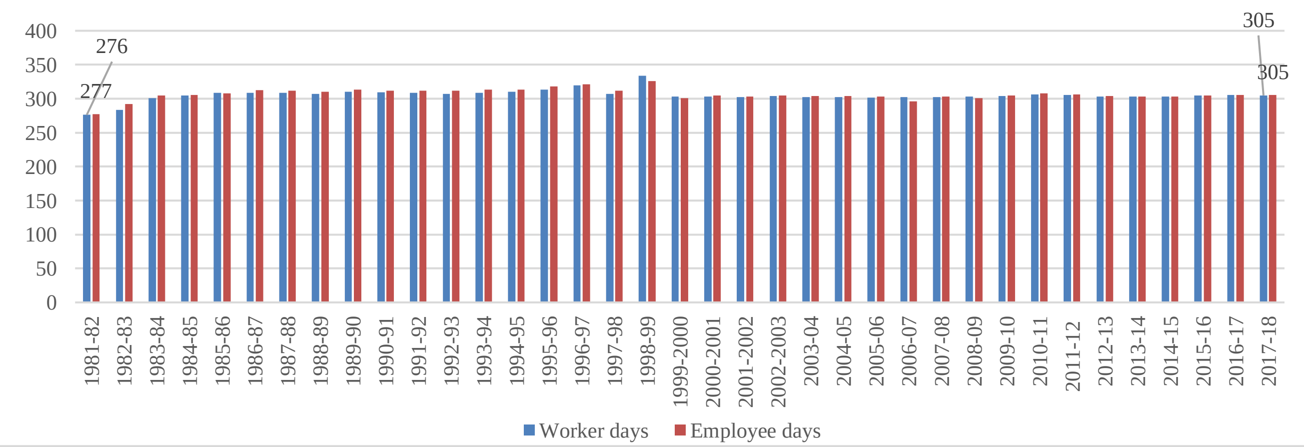


Figure 17: Worker and Employee Days : 1981-82 to 2017-18



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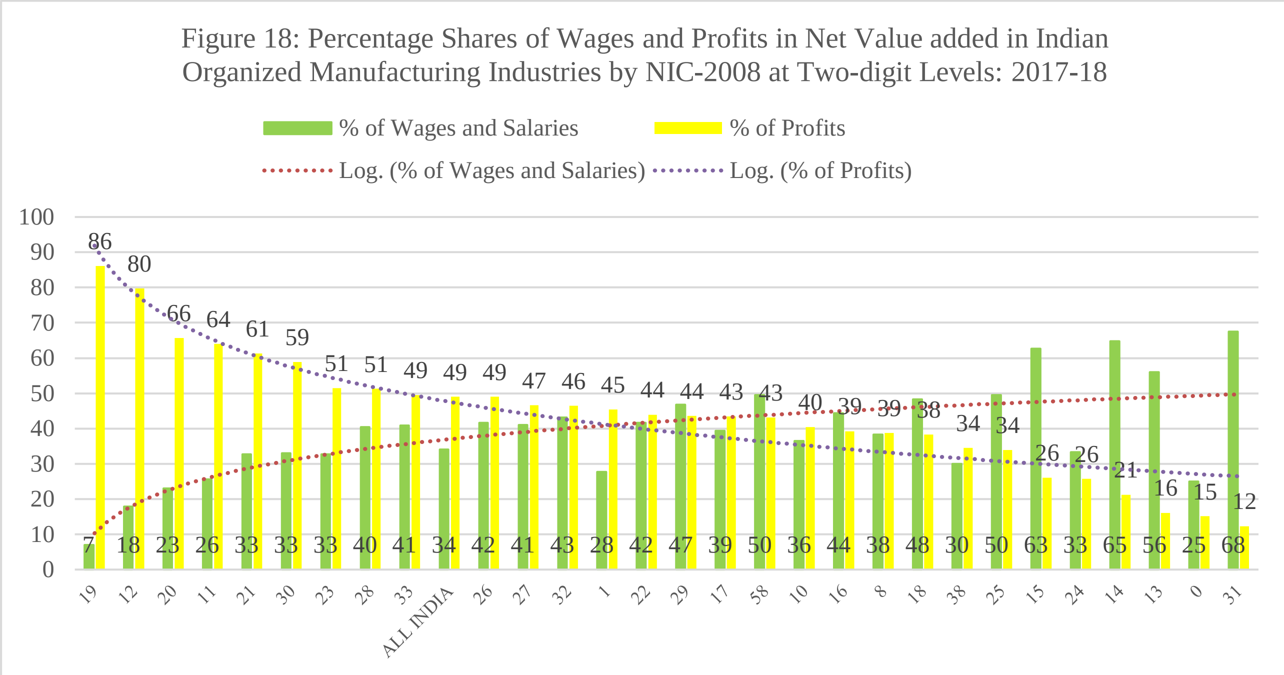

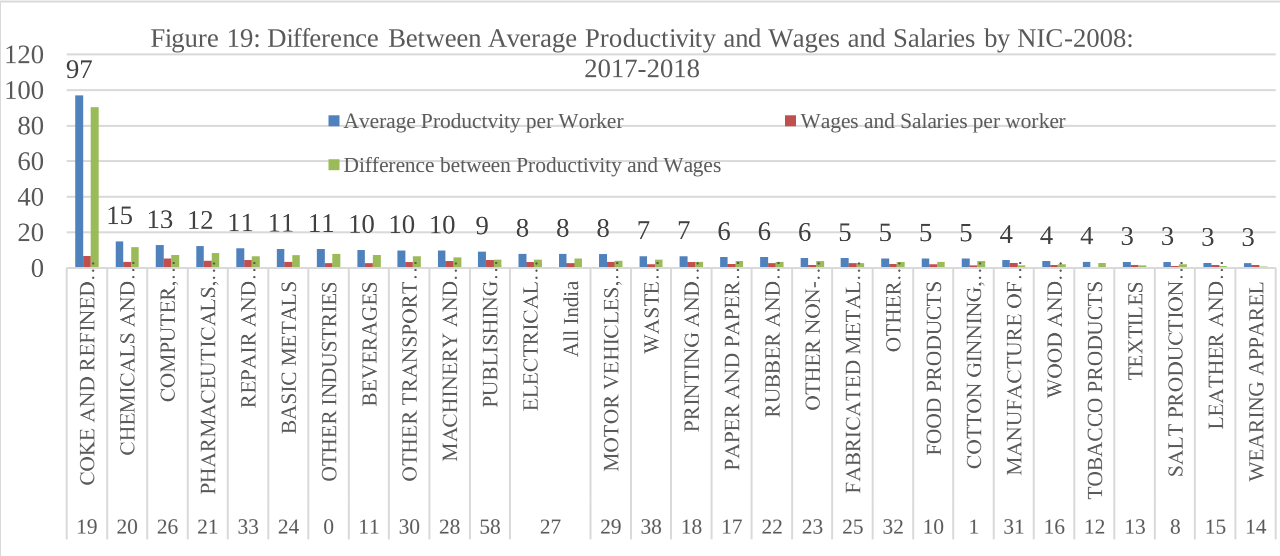

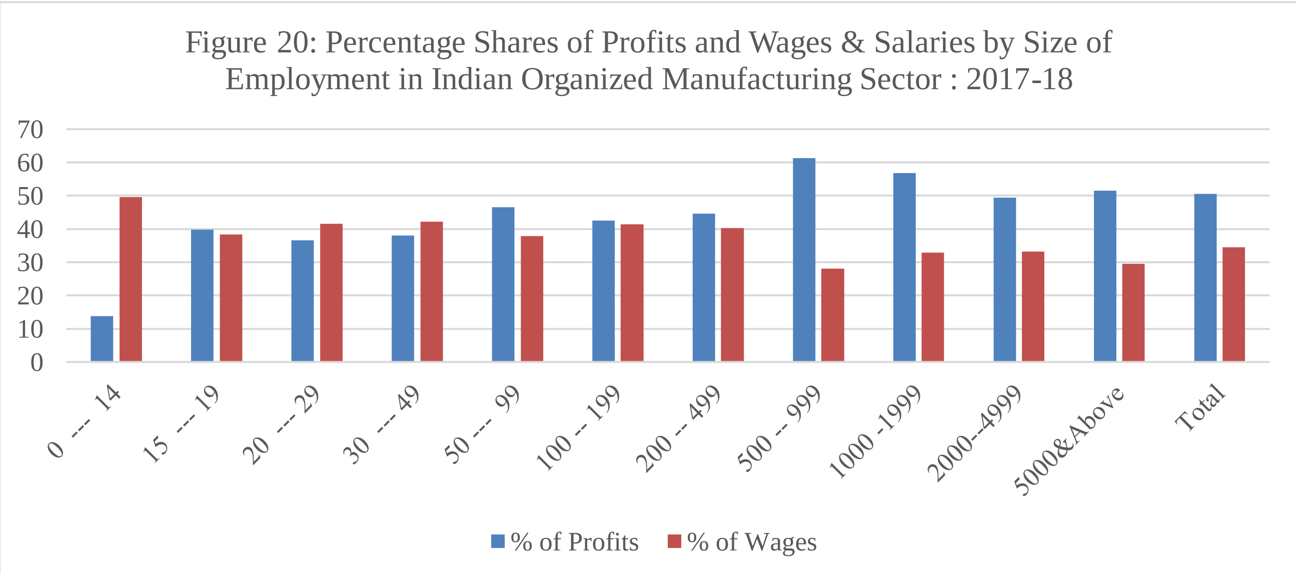

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The percentage shares of profits and wages are also examined by the size of workers employed in the Indian organized manufacturing sector in recent data of 2017-2018. It can be observed that Indian labor codes diluted the regulations on the factories in the size of workforce employed less than 300 workers, to extract more surplus. It means that there would not be any regulation for the "hire and fire" policy and inspection by the labor inspector to see violation of labor rights in the factories hiring less than 300 workers. The figure explains that in the size of employment in the ranges of 0-199, shares of wages are higher in the range of 40-50% as compared to lower range of profits-14-42%. In the employment size of more than 199 workers, the range of wages are lower as 28-40% in comparison to higher range of profits in 45-61%. With labor laws, the factories in the employment size of less than 300 workers have legal rights to extract surplus via higher profits and lower wages.

PANEL REGRESSIONS: WAGES-PROFITS AND LABOR PRODUCTIVITY

In Table 1, in 29 factories of the National Industrial Classification (NIC-2008) during the 10-year period of the 2009-2018, the mean of fixed capital (Fixedcapital) is Rs. 76824 Crore, the mean of the profits (Profits) is Rs. 15076 Crores and the mean of wages (Totalemoluments) is Rs. 9055 Crore. The mean net value added (Netvalueadded) is Rs. 30285 Crore. The mean of the workforce (Totalpersonsengged) is 464 thousand.

Table 1: Summary-Descriptive Statistics

Variable	bs	Mean	Std. Dev.	Min	Max
year	290	2013	2.9	2009	2018
niccode	290	23.448	12.7	1	59
Fixedcapital (Rs. Crore)	290	76824	115260	141	674027
Outstandingloans (Rs. Crore)	290	35897	57022	35	351539
Profits (Rs.Crore)	290	15076	21412	- 9878	140419
Totalemoluments (Rs. Crore)	290	9055	8812	21	37203
Totalpersonsengged (Thousand)	290	464	425	5	1772
Netvalueadded (Rs. Crore)	290	30285	31127	54	160732
lnK	290	10.1	1.8	5.0	13.4
lnL	290	5.5	1.4	1.7	7.48
lnProfits	282	8.7	1.7	2.6	11.9
lnWages	290	8.4	1.5	3.0	10.5
lnLoans	290	9.5	1.7	3.6	12.8
lnKLRatio	290	1.9	.42	1.1	4.0
lnQ	290	9.5	1.6	4.0	12.0

For examining the factors of wage and production in the Indian organized manufacturing sector, the panel regressions are estimated. In the pre-Covid-19 pandemic period 2009-2018, we have examined the factors of wages-lnWages and net value added-lnQ (dependent variables) with the two panel regressions in the 29 two-digit factories in the NIC-2008. In the first panel regression, the independent variables are profits-lnProfits, capital-labor ratio- lnKLratio, outstanding loans-lnLoans. The second panel regression of the labor productivity, the independent variables are number of persons employed (lnL), fixed capital (lnK). We have taken log values of these variables. The panel regressions are used with the fixed and random effects and the Arellano–*Bond* generalized method of moments-GMM estimators. The source of the data used for these panel regressions is Annual Survey Industries from 2008-09 to2017-18.

Table 2 shows the panel regression of wage-profit regression Model 1 is more preferred than the Model 2 and Model 3 due to the solution of endogeneity problem or reverse causality problem. The p-values of Wald statistics are zero for the three models reflecting significance of modals, but Modal 1 is preferred on the ground of resolve of the endogeneity issue. The coefficients of the independent variables are significant at 1 % level. The coefficient of the lnProfits is 0.07 reflecting an increase in100% leads to a slight increase in wages by 7%, showing huge gap between the economic-inequality in Indian labor market. The capital-labour ratio has negative effect on wages as the coefficient of lnKLRatio is negative 0.66 showing 100% increase in capital-labor ratio leads to a decline in wages by 66%. The control variable, the coefficient of lnLoans is 0.03, showing 100% increase in the outstanding loans for the factory/company leads to a slight increase in wages by 3%.

Table 2: Wage-Profit Panel Regression

Dependent Variable: lnWages	(1)	(2)	(3)
Independent Variables	Model 1	Model 2	Model 3
	Dynamic	Fixed Effect	Random Effect
L.lnWages	0.81***		
	(0.017)		
lnProfits	0.07***	0.300***	0.301***
	(0.003)	(0.0335)	(0.0311)
lnLoans	0.03***	0.490***	0.494***
	(0.005)	(0.0463)	(0.0390)
lnKLRatio	-0.66***	-0.202	-0.400***
	(0.021)	(0.134)	(0.117)
Constant		1.569***	1.894***
		(0.533)	(0.457)
Observations	219	282	282
R-squared		0.513	
Number of niccode	29	29	29

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

As it is expected the outstanding loans of the company favor profits of the capitalists' profits rather than the wages for the workers. The coefficient of the lagged lnWages is 0.81, implying 100% increase in past year wages leads to 81% increase in current years wages, showing last year wages have higher impact on current year wages. Thus, the empirical results of the wage-profit regression prove that economic-inequality via lower impact of profits on wages and organic

DOI: https://doi.org/10.48001/veethika.2022.08.03.001

composition of capital in terms of K-L ratio is instrumental to depress wages to extract surplus from the workers in the Indian organized manufacturing sector. With lower wages to extract surplus by the capitalists, there is higher labor productivity, which is empirically examined by the labor productivity panel regression in Table 3.

Table 3: Labor Productivity Panel Regression

Dependent variable:	(1)	(2)	(3)
lnQ	Model 1	Model 2	Model 3
Independent Variables	(Dynamic)	(Fixed Effect)	(Random Effect)
lnK	0.42***	0.187***	0.279***
	(0.152)	(0.0359)	(0.0343)
lnL	1.04***	1.437***	0.866***
	(0.294)	(0.121)	(0.0693)
L.lnQ	0.23**		
	(0.102)		
Constant		-0.268	1.939***
		(0.565)	(0.343)
Observations	232	290	290
R-squared		0.557	
Number of niccode	29	29	29

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

As the case of wage-profit panel regression, dynamic panel regression (Model 1) in Labor Productivity is preferred than the fixed and random effects regressions (Model 2 and Model 3). All the three independent variables are significant either at 1% or 5% levels. The coefficient of lnK is 0.42, showing 100% increase in fixed capital leads to 42% increase in production. However, the coefficient of lnL is 1.04 reflecting 100% increase in employed persons leads to 104% increase inoutput. This is a significant empirical result as higher labor productivity and lower wages reflects a wide-gap between contribution in production and paid wages, which reflect surplus extracted by the capitalists in Indian organized manufacturing sector. The coefficient of the control variable-lagged lnQ is 0.23, reflects positive impact of the previous year output on the current year output. However, it is lower as an increase of 100% in previous year output leads to 23% increase in current year output. This implies that highest contribution of labor in output in terms of highest labor productivity but paid lesser proving empirically extraction of surplus in the Indian organized manufacturing sector during pre-Covid-19 period of ten years (2009-18). These results of higher labor productivity and lower wages refute the reforms initiated by the neo-liberal policy makers and advocates of the labor reforms and it also empirically correspond to lower wages of Indian workers than the Chinese workers.

CONCLUSIONS

On the basis of descriptive analysis of the economic inequality, informality, marginality and unemployment in Indian labour market and empirical results of the panel regressions of wage-profits and labor productivity in the Indian Organized manufacturing sector, the surplus extraction has increased via capital accumulation in promotion of capital-labor ratio and higher labor productivity and reserve army of labour over the last 10 years of neo-liberal India. The present NDA government bulldozed neo-liberalism with both the domestic and foreign capital along with neo-conservatism. The pre-Covid-19 pandemic period witnessed the both strategies of neo-liberalism and neo-conservatism and Covid-19 pandemic treated as an opportunity for the government to increase in the speed and intensity of neo-liberal and neo-conservative agendas via implementation of the farmers bills and labor code bills to dilute and suppress the farmer-worker rights and promote extraction of more surpluses both the absolute via expanding increase in working hours from 8 hours to 12 hours and relative surplus via informalisation, contractulisation and reserve army of unemployed workers to depress wages and expand labor productivity.

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