

EMPLOYMENT TRENDS IN INDIA

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Employment has featured as an important item in the development agenda in India. Approaches to the subject have, however, varied in different periods during the last over 50 years. In the initial years of development planning, unemployment was not expected to emerge as a major problem; yet care was taken to see that employment of a reasonable magnitude is generated in the development process to productively employ the growing labour force. A reasonably high rate of economic growth combined with an emphasis on labour intensive sectors like the small scale industry was envisaged to achieve this goal. The rate and structure of growth rather than technology were seen as the instruments of employment generation. Thus while granting that in 'an economy with relative abundance of labour, a bias in favour of comparatively labour intensive techniques is both natural and desirable', it was clearly recognised that 'considerations of size and technology should not be set aside to emphasise employment' (Planning Commission, 1956, pp. 112-113). Unemployment was estimated to be relatively low, as was also the growth rate of labour force, and a targeted economic growth rate of 5 per cent with some emphasis on labour intensive consumer goods sectors, was expected to generate large enough employment over the years to prevent any increase in unemployment.

These assumptions and expectations continued from one Five Year Plan to another during the 1950's and 1960's. Meanwhile magnitude and rate of unemployment increased significantly. Economy grew at a rate of around 3.5 as against the planned rate of 5 per cent per annum. Yet, employment grew at a relatively high rate of 2 per cent per annum. However, since labour force growth was much higher at 2.5 per cent as against less than 2 per cent per annum assumed, the result was an increase in unemployment. Magnitude of unemployment had almost doubled during 1956-1972, from around 5 to 10 million and unemployment rate from 2.6 to 3.8 per cent (Papola, 1992). These figures are, however, only

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approximations as detailed data on employment and unemployment started becoming available from the National Sample Survey Organisation (NSSO) through its Quinquennial Surveys starting with 1972-73. They, nevertheless, do indicate the overall trends during the first two decades of planned development in India.

With the availability of comprehensive data on levels of consumption, employment and unemployment for 1972-73 which revealed high incidence of poverty (54% rural and 41% urban) and high unemployment rates (8.4% on current daily status and 4.3 % on currently weekly status basis), the official approach to employment problem underwent a change in mid-1970's . The Fifth Five Year Plan (1974-79) sought to address the employment issue by reorienting the pattern of growth in favour of employment intensive sectors. At the same time, a strong opinion was emerging to suggest that growth alone cannot solve the problems of poverty and unemployment, and therefore, a number of special employment and poverty alleviation programmes were launched. They were mostly of two kinds: providing financial and other assistance for productive self employment, and offering supplementary wage employment to the underemployed. Over the years, these programmes have been continued in one form or the other, have been modified or integrated, new ones have been started while some old ones have been discontinued. The latest in the series is the National Rural Employment Guarantee Programme which aims at legally guaranteeing employment of upto 100 days annually to every rural household, under an Act of Parliament.

While these programmes seem to have been able to reduce the degree of underemployment to a certain extent, the open unemployment rates have not declined over the years. This can be discerned from the unemployment rates on current daily status (CDS) basis which includes both open and under employment and those on current weekly status (CWS) and usual principal status (UPS) basis given in Table 1. During the period 1993-94 to 1999-2000, however, unemployment rates, including those based on current daily status, have increased.

Looking at different rates of unemployment, it is clear that under-employment is a problem of much larger magnitude than open unemployment. For example, in 1999-2000, UPS unemployment rate was estimated to be only 2.81 per cent as compared to CDS rate of 7.32 per cent. The problem, however, is not confined to these time-criterion based rates; a large part of the employed people

work at very low levels of income, as indicated by much higher incidence of poverty (26 per cent in 1999-2000) than of unemployment. Thus the employment challenge in India consists not only of creating jobs for the unemployed, and providing additional work to the underemployed, but, to a much larger extent, of enhancing productivity and income levels of a large mass of the 'working poor'.

Year	UPS	UPSS	CWS	CDS
1972-73	3.80	1.61	4.32	8.35
1977-78	4.23	2.47	4.48	8.18
1983	2.77	1.90	4.51	8.28
1987-88	3.77	2.62	4.80	6.09
1993-94	2.56	1.90	3.63	6.03
1999-2000	2.81	2.23	4.41	7.32

Notes:
 UPS: Usual Principal Status. A person is considered unemployed according to this concept if available for but without work for major part of the year.
 UPSS: Usual Principal and Subsidiary Status includes, besides UPS, those available but unable to find work on a subsidiary basis, during a year.
 CWS: Current Weekly Status. A person is unemployed if available for but unable to find work even for one hour during the reference week.
 CDS: Current Daily Status measures unemployment in terms of persondays of unemployment of all persons in the labour force during the reference week

It is against the above background that this paper presents an account of the trends in employment during the period 1973-2000 for which data are available from the quinquennial surveys of the NSSO. The phenomenon of a deceleration in the rate of employment growth with higher economic growth in recent years has been particularly highlighted and commented upon. Some structural and qualitative dimensions of the Indian employment scene are also indicated. They include a slow change in employment structure by sectors of economic activity, predominance of self-employment and increase in the share of the casual category of workers, predominance of the unorganised sector and stagnation and decline in the organised sector employment and the question of quality of employment which seem to have undergone a deterioration, in general, in recent years. The paper also finally ventures to assess the prospects of employment growth and its qualitative aspects in the medium-term.

Employment Growth

As noted earlier, employment growth has been over two percent for almost thirty years since early 1950's. In fact, it is recorded to be much higher during the

1970's. But since the 1980's there has been a trend towards a decline in the growth rate of employment.

	1972-73 to 1977-78	1977-78 to 1983	1983 to 1987-88	1987-88 to 1993-94	1993-94 to 1999-2000
Agriculture	2.32	1.20	0.04	2.39	0.06
Mining	4.68	5.85	6.16	2.09	-3.27
Manufacturing	5.10	3.75	2.10	1.45	2.05
Construction	1.59	7.45	13.59	-1.10	6.61
Elasticity, Gas, Water Supply	12.23	5.07	4.64	3.39	-5.25
Transport	4.85	6.35	2.67	3.58	5.28
Trade	3.71	4.12	4.42	3.20	6.20
Services	3.67	4.69	3.92	3.76	0.55
Total	2.82	2.22	1.55	2.37	1.02

Note: Growth rates are on Usual Principal and Subsidiary (UPSS) basis, which defines a person as employed if carrying out economic activity as main or subsidiary basis during a year.

As figures in Table 2 show, growth rate of employment declined continuously from one quinquennium to another except for the period 1987-88/1993-94. A higher growth during this period seems to have been primarily contributed by agriculture which otherwise has experienced a generally low and rapidly declining employment growth. Among other major sectors, manufacturing has also experienced a declining trend in employment growth; but, construction, trade and transport have fluctuating trends and have recorded a relatively high employment growth even during 1994-2000 when overall employment growth has been the lowest. In fact, the non-agricultural sectors together have registered a relatively high employment growth of 2.69 per cent during this period, but because of a low growth of 0.06 in agriculture, which had a weight of 60 per cent in total employment, the aggregate employment growth works out to be only 1.02 per cent. Construction, trade and transport recorded employment growth rates of 6.61, 6.20 and 5.58 per cent respectively and manufacturing 2.05 per cent during 1994-2000.

What is found to be particularly intriguing is the fact that while employment growth was reasonably high at around 2 per cent with just about 3.5 per cent growth rate of GDP during the earlier decades, with over 6 per cent GDP growth, employment growth has been much lower since the 1980's, particularly during the period 1994-2000. It must, however, be clarified that with large weight of agriculture, the overall employment growth has been mainly influenced by employment growth in that sector. Thus, even though employment growth in

construction, trade, transport and manufacturing has improved, the aggregate employment growth has significantly declined during 1994-2000 as compared to 1988-94 due to a steep fall in employment growth rate in agriculture (and to a certain extent a decline in the growth rate of employment in community, social and personal services). Slow down in employment growth in agriculture has been a result both of a low GDP growth and a decline in employment elasticity (ratio of employment growth to GDP growth).

Employment content of growth as measured by employment elasticity has been declining over the entire period since 1972-73, but has seen a particularly sharp decline during 1994-2000 (Table 3). Manufacturing, on the other hand, had a reasonably high elasticity to begin with, but has shown a continuous decline with slight increase during 1994-2000. Construction, transport and trade have maintained relatively high elasticities, and have even shown an increase in them during 1994-2000 when aggregate elasticity is estimated to have sharply declined. Elasticity in other services has continuously declined over the years but the decline has been very sharp during the last quinquennium. It may be noted that the non-agricultural sectors on an average have shown an employment elasticity of 0.35, as against 0.02 in agriculture and 0.15 in aggregate.

	1972-73 to 1977-78	1977-78 to 1983	1983 to 1987-88	1987-88 to 1993-94	1993-94 to 1999-2000
Agriculture	0.64	0.49	0.36	0.50	0.02
Mining	0.95	0.67	0.85	0.33	-0.63
Manufacturing	0.55	0.42	0.40	0.25	0.28
Construction	0.35	1.00	1.00	-1.10	1.00
Elasticity, Gas, Water Supply	1.0	0.74	0.48	0.63	-0.76
Transport	0.76	0.92	0.45	0.64	0.56
Trade	0.78	0.75	0.70	0.58	0.68
Services	0.80	0.99	0.42	0.51	-0.06
All	0.61	0.55	0.38	0.41	0.15

Employment Structure

With differential growth of employment among different sectors of the economy, there have obviously been changes in the structure of employment. Among the three major sectors by broad division of economic activity, namely, agriculture, industry and services, there has been a decline, as expected, in the share

of agriculture and increase in the share of industry and services in total employment. The structural changes have, however, been slow. In a period of 27 years, from 1973 to 2000, the share of agriculture has declined by 17 percentage points only from 74 to 57 per cent. Share of industry increased from 11 to 18 per cent and that of services rose faster from 15 per cent in 1972-73 to 26 per cent in 1999-2000, growing particularly fast during 1987-88 to 1999-2000 (Table 4).

	1972-73	1977-78	1983	1987-88	1993-94	1999-2000
Agriculture	74.0	72.3	68.4	65.5	60.38	56.70
Industry	11.4	12.3	13.7	15.5	15.82	17.56
Services	14.6	15.4	17.5	18.4	23.80	25.74

The slow change in employment structure assumes the nature of a problem particularly when seen along with the change in the structure of the national gross domestic product. During the period when the share of employment in agriculture declined from 74 per cent to 57 per cent, its contribution in GDP declined from over 40 per cent to 22 per cent; and, when the share of services sector in employment increased from 15 to 26 per cent, its contribution to GDP increased much faster from around 30 per cent to 52 per cent. As a result the asymmetry between the income and employment shares among different sectors has sharply increased, particularly between the agricultural and non-agricultural sectors. A sharper decline in contribution of agriculture in GDP than in its share in employment implies a decline in its relative productivity and increase in income differentials between agriculture and non-agricultural sectors. An opposite trend is seen in the services, where the increase in GDP share has been faster than of employment, while industry has retained its position in respect of relative productivity. That there would be a decline in the share of agriculture in GDP was expected, but a continuance of heavy dependence of workers and population on agriculture as source of income and livelihood is a matter of concern from the viewpoints of poverty and inequality. One hopes that a relatively higher employment growth in manufacturing, construction, transport and services like trade, as experienced in recent years will lead to some correction in this increasing imbalance.

Increasing Casualisation

Another aspect of employment trends and structure that is of interest in a developmental context is the distribution of workers by employment category in

terms of self-employed, regular wage and salaried workers and casual wage earners. It has been generally expected that with shift of workers from agriculture to non-agricultural activities and from footloose to enterprise based employment, there will be an increase in the proportion of workers employed on a regular wage and salary basis. There has been a decline, albeit slow, in the share of self-employed, from 61 per cent in 1972-1973 to 53 per cent in 1999-2000. The share of regular wage-salaried workers has, however, stagnated at around 14 per cent, while that of casual workers has increased from 23 to 33 per cent. (Table 5).

Table 5: Employment Status by Category of Employment						
	1972-73	1977-78	1983	1987-88	1993-94	1999-2000
Self Employed	61.4	58.9	57.4	56.0	54.8	52.9
Regular Wage/ Salary Workers	15.3	13.9	13.9	14.4	13.2	13.9
Casual Wage Workers	23.3	27.2	28.7	29.6	32.0	33.2

This situation has generally been interpreted to mean an increasing 'casualisation' of workforce. In so far as the term describes an increase in the share of casual workers, it is factually true. But if it is meant to imply a process of 'regular' workers turning 'casual', or a decline in employment and earnings, the trend needs to be carefully analysed. The shift is seen from self-employed to casual workers category and most of it has taken place in rural areas, from agriculture to non-agricultural activities, such as construction, trade and services. There has, no doubt, been displacement of workers from large industries in urban areas, rendering the regular workers to the status of casual workers. But the magnitude of such change in status of workers has not been very significant in relation to the total numbers involved.

The phenomenon of casualisation, therefore, needs to be seen in the overall perspective of employment trends in the economy. Agriculture is increasingly unable to productively absorb the growing rural labour force. At the same time, there has been some growth of non-agricultural activities in rural areas in construction, trade and services which have generally offered better earnings than agriculture. Most of these employment opportunities have been of temporary and casual nature. But they have provided either full-time or supplementary employment adding to the incomes of the rural households. On the other hand, regular jobs have hardly increased in the urban areas; in fact, there is evidence to

show that such jobs have declined due to redundancy caused by technological and competitive compulsions in the larger industrial enterprises. So, part of the regular workforce has been rendered casual and most new jobs have been in the casual category.

Increasing proportion of casual workers in the total employment is thus mostly a result of structural shifts taking place in the rural areas. To some extent, it is distress-driven, the small and marginal landholders and the landless not finding gainful work in agriculture and taking up whatever work they find in the non-agricultural activities, irrespective of earnings from them. But there is evidence to suggest that many are opting for non-farm work due to more regular employment and better earnings. This has been possible partly on account of various state sponsored employment programmes, and partly because of an increase in the demand for labour in expanding construction, trade and service activities in rural areas. In other words, 'casualisation' of the nature observed does not necessarily imply a deterioration in the quality of employment. A small part of the real casualisation that has taken place due to displacement of regular workers from large enterprise in the urban areas, no doubt, indicates such a deterioration.

Slow growth of employment in the organised sector has been a major factor in the stagnancy in the proportion of regular wage and salary earners. This sector consisting of public services and enterprises and large private firms, is the one that offers regular jobs. Employment growth in this sector has been just about 0.5 per cent during 1994-2000. In the post-2000 period, organised sector employment has, infact, shown an absolute decline; it declined by about one million from around 28 million to 27 million during 2000-2003, (GOI, 2005a). Of around 21 million new employment opportunities generated during 1994-2000 only about 4 per cent has been in the organised sector, and the rest 96 per cent in the unorganised sector (Planning Commission, 2002). As a result, the share of the unorganised sector in total employment has increased from around 92 per cent to 93 per cent. The high and increasing preponderance of the unorganised sector has been a matter of anxiety from the viewpoint of quality of employment as workers in this sector suffer from poor conditions of work, low earnings and lack of employment and social security.

Employment Prospects

What are the prospects for growth and quality of employment in India in near future? The fact that a high rate of economic growth has not been able to generate high employment growth, and it has, in fact, been accompanied by a slow down in employment growth in recent years, has led many economists and others concerned to portray the recent experience as one of 'jobless growth'. A brief account of the performance of different sectors as attempted earlier, however, shows that but for the almost negligible growth in agriculture, employment growth in non-agricultural sector has not really been jobless. Yet, employment elasticities have declined in most sectors, though in some sectors like construction, trade and transport, they continue to be relatively high. And a faster growth of these sectors will lead to an increase in overall employment growth. Their share in employment, however, is still small as compared to manufacturing which have shown a relatively low employment growth and low and declining employment elasticity. Yet, manufacturing still has an employment elasticity of around 0.3 and there are indications to suggest that it may improve. For example, its export-oriented sub-sectors have recently experienced higher employment growth and employment elasticity. During the 1990's employment in the export-oriented industries grew at 3.36 per cent per annum and showed an employment elasticity of 0.48 (Goldar, 2003). A faster growth of manufactured exports, which now constitute over 75 per cent of total exports, as compared to 58 per cent in 1980, therefore, promises to be an important factor in reversing the declining trend in employment growth.

Employment growth is a function of growth of GDP and employment elasticity. Indian economy has sustained a relatively high growth of over 6 per cent for about two decades and is expected to grow at that, if not a higher, rate in coming years. There are indications towards reversal of the declining trend in elasticities, particularly in manufacturing and expectations of a growth structure in which sectors with higher employment elasticity will grow faster. Thus overall employment elasticity is likely to increase from the low of 0.15 experienced during 1994-2000. There is, therefore, a strong likelihood of growth rate of employment getting restored to over 2 per cent during the first decade of this century. In fact, the evidence from the limited sample survey of the NSSO suggests a reversal of the trend already during the 2000-2004 when employment growth is estimated to be around

2.70 per cent. This, however, is still to be validated by the results of the larger sample survey (GOI, 2005b).

The recent experience, however, suggests that most of the new employment opportunities are likely to be generated in the unorganised sector and will be characterised by poor conditions of work, and lack of employment and social security. Even within the organised sector an increasing number of workers are being employed in a 'flexible' manner on casual or contract basis, without the social security benefits available to regular workers. And, also, the problem of the 'working poor', namely, of those fully engaged in work, but earning less than the poverty line income, will persist. Thus the challenge of quality of work, in terms of earnings and social security will continue. Tightening of the labour market with increase in the demand for labour may lead to improved earnings over time, but a vast majority of workers will continue to have no social protection against the risks of work related hazards, unemployment, sickness and maternity and old age. A measure of security against these risks is currently available to the workers in the organised sector. With a decline in its share and increase in that of the unorganised sector, the share of the unprotected workers will increase. Provision of a minimum social protection to this large mass of workers is, therefore, likely to emerge as a much greater challenge than of expanding employment opportunities. It will require special attention of the state and society at large in coming years, as the market-driven high growth even if accompanied by an expansion in employment opportunities may not by itself be adequate to address the issue of social protection.

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