

# PACE & PATTERN OF EMPLOYMENT GROWTH IN INDIA: AN ANALYSIS OF REFORM PERIOD

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## ABSTRACT

The most important indicator of success of an economic regime is employment generation. There are no reliable statistics regarding unemployment in India, so we do not know how far the fear of the ordinary people about the reform process as a job des-troyer reform justified. The only statistics the government produces on employment is on the organised sector of the economy, which is a very small part of the economy. Increase in employment in the public sector was much higher during the "planned" regime of the 80's. This is true for both the manufacturing and the construction sector. In the private sector, although the total generation of employment is higher during the "reformed" regime. The data obtained from the 55th round of the NSS, it is obvious that the usual status unemployment rose by 2.3 per cent in the liberalisation period. Unemployment increased far more, that is, 5.7 per cent in terms of daily status over this period. The main factors which have contributed to this are drastic reduction in development expenditure, indirect lay-off in public sector undertakings, massive retrenchment in the private manufacturing sector and closure of a large number of small-scale factories. The Montek Singh Ahulwalia Committee has admitted that the daily status unemployment had risen from 6.03 per cent in 1993-94 to 7.32 per cent in 1999-2000. The committee has recommended contractual recruitment of labour and an easy procedure for the retrenchment of workers. They will nevertheless lead to still larger unemployment in the years to come. Most of the job losses are the result of the trade imposed upon India by the World Trade Organisation as part of the economic reform process.

**Keywords:** Employment, Reform, Unemployment, Manpower, Strategy, Performance Etc.

## INTRODUCTION

The World Bank has anticipated that even in 1992, it gave a \$ 10 billion loan to India to pay compensation to future unemployed workers. Now EU is offering a similar loan to India. It is essential to understand that the purpose is to scale down Indian industry in particular to open the economy for imports as part

of the liberalised trade policy, the essential ingredient of the economic reform process.

In this paper an attempt has been made to give an over view of the Pace & Pattern of Employment Growth in India: An Analysis of Reform Period. The paper is divided into four sections. Section first covers a brief introduction about the theme.

Section second deals with the Planning Phase and Employment Policy in India. Section third deals with the Present Scenario of Employment Growth in India. The paper concludes with section four which gives a brief account of Economic growth with Employment growth in India.

Employment status is one of the most important factors determining the rate of growth of the economy. It is also a crucial indicator of the standard of living, productivity levels and the state of economy. It is a general belief that in under-developed countries; population has the tendency to increase rapidly and unemployment problem is rampant. On the other side in advanced countries, the problem of unemployment reaches alarming proportions. There are several types of unemployment just like - simple unemployment; bad effect of this type of unemployment is poverty, crime, pessimism corruption etc., under-employment, disguised unemployment, seasonal unemployment and frictional unemployment. In our economy almost all types of unemployment is present right from the beginning of independence. The major causes which have been responsible for the wide spread unemployment can be spelt out as: In the context of vast and varied unutilized natural resources as also manpower, it is stressing the obvious that the Indian economy, by and large, continues to be in a state of under-development. Rapid growth of population, in particular since 1951, has adversely affected the unemployment situation largely in two ways - In the first place, it has directly affected it by making large additions to labour force. The second consequence of the rapid population growth has been to worsen indirectly the unemployment situation by reducing the resources for capital formation. The overall effect of them failure of public sectors undertakings (PSUS) and inability of private sector to take charge of the economy led to slow pace of industrialization. The rate of growth of the economy has been at an average of 3 to 5 percent in the past decades. But employment opportunities have increased only at the rate of 2 to 2.5 percent, resulting in heavy backlog in employment generation. There is an

increasing tendency to use capital instead of labour. In India the traditional labour industries are village and Khadi industries, small scale and tiny industries Handloom with handicrafts. Rural labour, which is not skilled, does not get sufficient employment opportunities due to the use of capital in this reference neglect of labour intensive industries is major problem.

## PLANNING PHASE AND EMPLOYMENT POLICY IN INDIA

The approach to labour and employment problems followed in India after achievement of independence can be viewed as resting on three phases, which were erected at different points of time. The first two of these essentially address those persons who are not in employment while the third one is primarily concerned with qualitative dimensions of those who are already employed. It is important to distinguish between policies falling in these three categories since the criteria in terms of which one can judge them and yardsticks for assessing their impact are different.

## THE BASIC STRATEGY OF EMPLOYMENT

The first of these three planks concerns the basic approach to unemployment problem adopted after the process of planning was introduced in the early fifties. In terms of the three employment paradigms outlined in the previous section, the first two were considered to be inadequate, partly in view of the nature of unemployment prevalent in the country being essentially of "disguised" rather than the "open" form. Added to this was the realisation that as in case of much of the developing world, this unemployment was not primarily a reflection of the Keynesian type inadequacy of aggregate demand.

The primary focus of this development strategy was an achievement of an accelerated pace of industrialisation in order to overcome structural backwardness and the consequent low levels of income; as visualised in the works of Rosenstien-

Rodan (1943), Ragnar Nurkse (1953) and W. Arthur Lewis (1954). The process of industrialisation particularly the pattern adopted in the wake of Mahalanobis model with its emphasis on building up of the capital goods sector, was also envisaged to increasingly meet the capital goods needs of the economy and hence progressively relax the constraint on growth and employment expansion placed by capital goods bottleneck.

## THE SUPPLEMENTARY STRATEGY OF EMPLOYMENT

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The above approach to employment content of development planning continued through fifties till the sixties. There were two factors which brought about shifts in this approach during the seventies. On the poverty line and assisting them with concessional credit to acquire assets that can provide means for gainful employment in income generating activity at the level of the households themselves. Both the wage employment and self-employment type programmes seek to raise the magnitude of gainful employment opportunities so as to make a dent on the backlog of open unemployment and to reduce the incidence of underemployment particularly in the rural areas. Simultaneously these programmes raise the income level of rural households, thereby helping to shrink rural poverty.

## MEASURES AFFECTING QUALITATIVE DIMENSIONS

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While the special programmes of employment and poverty alleviation and the process of growth go to enhance the quantitative magnitude of gainful employment in the economy, another set of measures has been evolved by the government over the years whose objective has essentially been to enhance the quality of employment provided. The quality of employment is a function of many attributes, for example, work environment, the magnitude of reward for effort put in by workers, stability of employment, etc. Measures which have

been taken to influence these variables have been based mostly on legislative Acts. Some of these go back to the days of the British rule but their coverage has been considerably widened after achievement of independence.

The generation of productive and gainful employment, with decent working conditions, on a sufficient scale to critical absorb our growing labour force must form a growth element in the strategy for achieving inclusive growth. Past record in this respect is definitely inadequate and the problem is heightened by the fact that the relatively higher rate of growth achieved during the last decade or so is not seen to generate a sufficient volume of good quality employment. The Eleventh Plan provides an opportunity to focus on and diagnose the reasons for past failings observed in the employment situation and to reverse at least some of the adverse employment outcomes-associated recent past with the pattern of economic growth. Since unemployment situation is many dimensional, the government policy has been multifaceted. In general way the policy expects employment generation to take a place as a consequence of growth to help weaker sections of population who are the worst suffers from the evil of unemployment. The plan has accorded a high priority to the objective of employment generation. Employment is a thrust area of the various five year plans. The Eleventh plan document accords priority to the objective of generation of adequate employment to achieve near full employment level by the turn of the century. The envisaged GDP growth rate of 5.06 percent during the plan would result in an employment growth of around 2.6 to 2.8 percent per annum or an average of about 8 to 9 million additional Employment opportunities per year. The economy growth is treated as the end and the people means. The objectives of five year plan are summed up in the aphorism "Growth and equity". The plan approach paper spelt out following objectives about the employment:-

- **Priority to agriculture and normal development with a view to generating**

***adequate productive employment and eradication of poverty.***

- ***Employment of women and socially disadvantaged groups such as scheduled cast (SC), scheduled tribes (ST) and other backward classes (OBC) and minorities as agent of social economic change and development.***

All through planning since the first plan, government has stressed the urgent need of eliminating of unemployment. As unemployment increased with the passage of time, government too stepped up its effects in fighting the evil, an overview of the policy Approach can be had by looking at its main features just like; Many sided approach, greater emphasis on self-employment, accent on productive work and asset creation, employment Generation, employment associated with growth, employment for the educated and manpower planning etc. There is, therefore, every likelihood that the labour force will increase faster than the economy's current ability to provide gain full and decent work opportunities during the 1980s and early part of the 1990s, the averages growth rate of employment has been above 2 percent per annum, which has dropped to only 1.1 percent in the latter part of the 1990s. Therefore, if these past trends in work creation continue in to the future, the country faces the possibility of adding at least 0.5 percent point of the labour force i.e. nearly 2 million young people, to the ranks of the unemployed each year. By the end of the 10th plan, open unemployment, measured on the usual principal and subsidiary status (UPSS) basis, could then be as high as five percent or even higher, as compared to around 2.8 percent at present. Such a situation as clearly is supportable. The current backlog of unemployment at around 9 percent equivalent to 35 million persons, is too high, and every effort needs to be made do not only arrest the rising trend but to actually reduce it during the 10<sup>th</sup> plan period itself. The Prime Minister's vision of creating 100 millions employment opportunities over the next 10 year is taken as the basis for targeting the creation of 50 million employment opportunities during the next 5 years, which is about

14 million higher than the target mandated in the Approach paper on the basis of additions to labour force during the plan period (2002-07). If this target achieved, the unemployment rate is likely to decline significantly to 5 percent by the end of 10th plan. On the basis of above mentioned points related to unemployment i can say some facts about Indian employment growth:-

- India's ninth five year plan projected generation of 54 million new Jobs during the plan period (1997-2002) but performance has always fallen short of target as in the past; and this plan was unable to meet its target.
- India's labour force is growing at a rate of 2.5 percent annually, but employment is growing at only 2.3 percent.
- More than 90 percent of the labour force is employed in the unorganized sector i.e. Sectors which do not provide with the social security and other benefits of Employment in the organized sector.
- Over 70 percent of the labour force in all sectors is either illiterate or educated below the primary level.
- In addition to the labour force during the plan period was estimated to be 53 millions on the US concept. The acceleration in the economy's growth rate to 7 percent per annum, with special emphasis in the Agriculture sector, was expected to help in creating 54 million work opportunities over the period. This led to a reduction in the open employment rate from 1.9 percent in 1996-97 to 1.47 percent in the plan's terminal year; this is, by about a million persons from 7.5 million to 6.63 million.

In India the organized sector contributes only about 9 percent to the total employment. Under-employment in various segments of the labour force is quite high. For instance, though open unemployment was only 2 percent in 1993-94, the incidence of under employment and unemployment

taken together was as much as 10 percent that year. This in spite of fact that the incidence of under-employment was reduced substantially in the decade ending 1993-94. Success or failure of any economic programme is measured by the welfare it generates for the people. If an economic policy creates increasing hopelessness and unemployment, it is time to think again and reverse the course of action. Reforms should be aimed at reduction of corruption, increased efficiency, increased employment and reduction of inequality and poverty. Instead in India, economic reforms are trying to hit those who are the weakest in the society by giving maximum benefits to the richer sections.

An overwhelming majority of India's population depend on their own labour as the dominant source of livelihood, through its productive use, either in self-employment or in work for others. Labour and issues such as employment, productivity, and wages have been at the centre of attention in pre and post-independence plans for national development.

From the employee or worker side, complexities arise from the fact that individuals (particularly females) frequently move in and out of the workforce within a year, and even those who participate in the workforce and are employed throughout the year could move from, self-employment on their own farms in one season to wage employment in another season within the same year. Self-employment continues to be the single largest source of employment in the economy. Although the proportion of population living in households whose major source of income is self-employment declined from 55.6 per cent in 1987-88 to 50.9 per cent in 1999-2000 in rural areas, it increased slightly from 38.9 per cent to 39.2 per cent during the same period in urban areas. Also an individual could be engaged in more than one economic activity at the same time or at different times in a year. From the employer side, the situation is just as complex. A farmer employs workers not only from his/her own household but also hires agricultural labourers during peak

agricultural season. The same farmer could be employed in casual work (or looking for such work) outside the farm during slack agricultural season. Outside of crop production activities, as the data from the latest economic census show, 98.6 per cent of the number of enterprises in existence in 2005 in the economy employed less than 10 workers. In the earlier census of 1998, this proportion was similar at 98.1 per cent, accounting for 76.5 per cent of the number of US and current weekly (CWS) status and the person day rate of current daily status (CDS), seems to have been ignored in the discussion of the employment issue in some of the official publications (Planning Commission 2001, 2002, 2005; MOF 2004).

The total number of person-days of employment is not the same as the total number of employed persons. The reason is that a given total number of person-days of employment could be distributed among the same number of persons in many ways so as to lead to different numbers of persons employed. For example; consider a four person economy in which all four participate in the workforce and together they were employed for ten person-days in the week. This yields a person-day rate of employment of 10 out of 28 or 36 per cent. In India self-employment is the dominant mode of employment accounting for more than 50 per cent of usually employed males and females in rural areas even in the 61st round (July 2004-June 2005), and is an important (though not the dominant) mode in urban areas, accounting for 45 per cent of usually employed males and 48 per cent of usually employed females. There is a significant increase in the status of employment as casual labour for rural males and significant decreases in the status of employment in regular wage/salaried work for urban males. For rural and urban females as casual labour. There is a downward though insignificant trend in self-employment for rural males and a significant upward trend for rural females urban females experience a significant increase in employment as wage/salaried workers. Clearly the picture emerging from these trends is complex. It is conceivable, though there is no way of judging this from the

trends alone, that casual labour is a transitional status for those who move from self employment in low productive activities in rural areas to more productive wage. Before turning to policy questions, a few remarks are in order on the vast literature on employment in India. First, the literature based on NSSO data almost always focuses on the quinquennial rounds, virtually ignoring the annual rounds. Second, the distinction between person-rates of employment and unemployment, US and CWS and the person-day-rates of CWS is very often ignored and all three are treated as if they refer to persons. Third, the literature also usually discusses trends in absolute numbers of employed and less often the trends in employment rates. Fourth, in many of the scholarly articles as well as in some official publications the concept of employment elasticity and estimates of its trends play a crucial role. The Planning Commission (2005) generates its estimates of employment generated during the Tenth Plan using observed employment elasticity's and actual GDP growth.

Unfortunately, such projections and policy pronouncements based on the same have no analytical foundation. Elementary economics would suggest that the observed employment in any period represents equilibrium between labour supply and labour demand. In principle, both supply and demand functions could shift over time. For example; GDP growth *ceteris paribus*, would shift the labour demand function outward. Similarly, growth of the number of individuals in the prime working ages due to population growth, *ceteris paribus*, would shift the supply curve outward. Depending on the relative strengths of these shifts, almost any trend (up, down, or no change) in equilibrium employment is possible. In other words, the so-called employment elasticity is not a deep behavioural parameter and can take on any value. I conclude that the pronouncements on the slowdown in employment growth since 1993-94 are based on inappropriate measurement and invalid employment elasticity analysis and that the long term trends in US and CWS employment rates do not support such pessimistic pronouncements. However,

there is no denying the fact that during the six decades since independence, with the state playing a dominant role in the economy, and a conscious attempt at industrialization, the industrial structure of employment in the economy has changed extremely slowly, although the structure of value added (GDP) has changed much more. The shares of agriculture and services in GDP, which respectively were 50 per cent and 30 per cent in 1960, changed significantly to 21 per cent and 52 percent in 2004 (World Bank 2006). The share of industry increased only modestly from 20 per cent in 1960 to 27 per cent in 2004. Primary activity (mostly agriculture) is still the dominant source of employment (around 66 per cent in the first half of 2004 as compared to 78 per cent in 1977-78) for rural males, the largest single group among the usually employed persons. Additionally, the industrialization strategy that emphasized investment in capital intensive, heavy industry on the one hand and promoted small-scale industry (SSI) labour laws is in the hands of the governments of the states which they happen to be located.

Given the slow change in the employment structure in the context of faster output growth, and its implications for poor as noted earlier, it is understandable that an expanded Employment Guarantee Programme like MNEREGA is being implemented. With long time the growth-enhancing and poverty reducing potential of a well-designed that is, creating productive as well-executed i.e., involving no leakage to the non-poor rural work programme. The current programme would indeed be well-designed and well executed. However, it is important to note that even if it is, it can only be a palliative and not one that will eradicate poverty once and for all within a recognizable time horizon. Realizing that vision requires for growth is not only a deepening, widening and acceleration of economic reforms, but also a rethinking of our agricultural policies ranging from price supports, input subsidies, and credit to foreign trade. Developing a foundation for policy that is based upon sound analysis of variations across states and over time is obviously essential for effective policy formulation; crude

aggregate projections void of any economic foundation are no-substitutes. Projections based on 'employment' elasticities are crude. In our economy the unemployment as a whole (which includes chronic unemployment and under unemployment i.e. seasonal unemployment & part time unemployment), as also chronic unemployment separately.

The magnitude of unemployment is massive indeed. The number of those under employed is a huge one, and of these in open unemployment is quite a big one. This has been in the past many years with little improvement in some years. Over the past two decades and particularly during the 1990s the Indian labour market has witnessed several disquieting features. First, the growth of employment has shown a downward trend. As revealed by the results of the 55th round of the NSSO, there has been a sharp decline in the growth rate of employment (UPSS) from 2.04 percent per year in the period 1983 to 1993-94, to only 0.98 percent in the period 1993-94 to 1999-2000. Although deceleration in employment is accompanied by an equally sharp decline in the rate of growth of labour force from 2.29 percent in the period 1987-88 to 1993-94 to only 1.03 percent in the period 1993-94 to 1999-2000, there is no doubt that the employment growth has been inadequate the growth rate of employment is less than the growth rate of the labour force indicating an increase in the unemployment rate. The unemployment elasticity (ratio of employment growth rate to GDP growth rate), mainly due to increasing capital intensity, has considerably declined over the years and more so after the liberalization and globalizations of the economy, it declined from 0.41 during 1983-84 to as low as 0.15 during 1994-2000, indicating a sharp decline in the labour absorption in the economy. Analysing this in terms of sectoral distribution, it is observed that the deceleration in the employment growth during 1994-2000 is basically due to the stagnancy of agricultural employment as compared to the period 1983 to 1994 when agricultural employment grew by 1.5 percent per annum. Another sector, which

stagnated, is the community, social and personal services. Employment in sectors like trade, construction, financial services and transport, storage and communication has grown faster than the average and share of these sectors in total employment, therefore, has increased. Latest data from the five yearly NSSO report (the quinquennial 66th round survey in 2009-10) show a dip, in percentage of jobless across all four different indicators (PS, UPSS, CWS & CDS) compared to 2003-04, the year of the previous survey.

Among the four the highest fall in unemployment rate was in the CDS measures with the numbers showing a fall from 8.2% in 2004-05 to 6.6% in 2009-10. In contrast, the slowest fall in unemployment rate was in the case of the UPSS measure where the rate fell from 2.3% in 2004-2005 to 2% in 2009-10. In case of the PS measure the numbers show that the unemployment rate fell a little more sharply from 3.15 to 2.5% while in the case of the CWS also the fall was a little higher with the rate moving from 4.4% to 3.6%. The unemployment rate in 1993-94 was however even lower with the rates being 6% (CDS), 3.6% (CWS), 1.9% (UPSS) and 2.6% (PS) respectively. The 66th round of the survey also shows that 51% of the workers were self-employed with the ratio at a higher 54.2% in rural areas and a lower 41.1% in urban areas. This is a decline since the past survey, but still shows that industry and the services sector has not been able to absorb half of the potential labourers available. Among those employed, the share of casual workers was lower at 33.5% while that of regular wage/salaried employment was only 15.6%. The share of casual workers was 38.6% in rural areas and 17.3% in urban areas. In contrast, share of regular wage/salaried employment was a higher 41.4% in urban areas and a lower 7.3% in rural areas in Indian economy.

## SCENARIO OF EMPLOYMENT GROWTH IN INDIA

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Some analysts have viewed the 1999-2000 survey as an 'outlier' because of the relatively depressed

employment situation in that year and have commented that 1999-2000 was a case of low statistical base, which shows up as high growth of employment in the next period 2000-05. On this view, a better assessment of trends emerges if we

compare developments over two relatively longer periods, that is, 1983 to 1993-94 (period I-10.5 years) and 1993-94 to 2004-05 (period II-11 Years). This employment situation is explained in table no.1

**Table No.1**

**Past and Present Scenario on Employment situation in India**

(Current daily status basis)

	1983	1993-94	1999-00	2004-05	1993-94 to 1999-00	1999-00 to 2004-05	1983 to 1993-94	1993-94 to 2004-05
	('000 person years)				(% per annum)			
All India Population	718101	893676	1005046	1092830	1.98	1.69	2.11	1.85
Labour Force	263824	334197	364878	419647	1.47	2.84	2:28	2.09
Workforce	239489	313931	338194	384909	1.25	2.62	2.61	1.87
Unemployment Rate (%)	9.22	6.06	7.31	8.28				
No. of Unemployed-	24335	20266	26684	34738	4.69	5.42	1.73	5.02
Rural Population	546642	658771	728069	779821	1.68	1.38	1.79	1.55
Labour Force	206152	252955	270606	303172	1.13	2.3	1.97	1.66
Workforce	187899	238752	251222	278076	0.85	2.05	2.31	1.40
Unemployment Rate (%)	8.85	5.61	7.16	8.28				
No. of Unemployed	18253	14203	19383	25097	5.32	5.3	2.36	5.31
Urban Population	171459	234905	276977	313009	2.78	2.48	3.04	2.64
Labour Force	57672	81242	94272	116474	2:51	4.32	3.32	3.33
Workforce	51590	75179	86972	106833	2:46	4.2	3.65	3.25
Unemployment Rate (%)	10.55	7.46	7.74	8:28				
No. of Unemployed	6082	6063	7300	9641	3.14	5.72	-0.03	4.31

Source: Eleventh five year plan (2007-12) Vol. I Planning Commission (GOI), p.65.

Table no. 1 presents a comparison of the trends in employment and labour force over a longer period. It is evident that population growth decelerated in Period II as compared with Period I and this led to a deceleration in labour force growth also. However, the growth of the workforce, that is, total employment, also decelerated in Period II. Employment grew more slowly than the labour force in Period II which raised the unemployment rate from 6.06% in 1993-94 to 8.28% in 2004-05. Measured in absolute terms, the average annual increase in employment opportunities during Period II was 6.45 million, which is lower than the annual

increase in Period I. The inadequate increase in aggregate employment in Period II is associated with a sharp drop in the pace of creation of work opportunities in agriculture. Agriculture should not be expected to create additional employment but, rather to reduce the extent of underemployment and thereby increase incomes and wages of those employed in agriculture while surplus labour shifts to the non-agriculture sector. However, the increase in employment in the non-agricultural sectors was disappointing. Sector wise share of employment in India is given in table no.2-

**Table NO.2**

**Sector-wise Share of Employment by Current Daily Status**

Industry	(CDS Basis) (%)				
	1983	1993-94	1999-00	2004-05	2006-07
Agriculture	65.42	61.03	56.64	52.06	50.19
Mining and Quarrying	0.66	0.78	0.67	0.63	0.61
Manufacturing	11.27	11.10	12.13	12.90	13.33
Electricity, water, etc.	0.34	0.41	0.34	0.35	0.33
Construction	2.56	3.63	- 4.44	5.57	6.10
Trade, hotel, and restaurant	6.98	8.26	11.20	12.62	13.18
Transport, storage, and comm.	2.88	3.22	4.06	4.61	5.06
Financial;-insurance; real estate; and business	0.78	1.08	1.36	2.00	2.22
Community, social, and personal services	9.10	10.50	9.16	9.24	8.97
Total	100.00	100.00	100.00	100.00	100.00

**Source: Eleventh five year plan (2007-12) Vol. I Planning Commission (GOI), p.66.**

In Table no. 2, the dependence of the workforce on agriculture and allied sectors declined from 61.03% in 1993-94 to 52.06% in 2004-05, that is, a decline of 9 percentage points as compared with a decline of only 4 percentage points in the period 1983 to 1993-94. Thus, work opportunities diversified away from agriculture at a faster pace during the latter period 1993-94 to 2004-05. Table no. 3 details the slopes of the trends in the proportion of self-employed, employed in regular wage/salaried jobs, and employed as casual labour, among those usually employed (principal and secondary status). The relevant data are in Table 3 show that self-

employment is the dominant mode of employment accounting for more than 50 per cent of usually employed males and females in rural areas even in the 61st round (July 2004-June 2005), and is an important (though not the dominant) mode in urban areas, accounting for 45 per cent of usually employed males and 48 per cent of usually employed females. Since the shares of the three categories self-employment, wage/salary employment and employment as casual labour. Table 3 shows the annual increase in the work-force by category of employment in Period I compared with Period II. There has been a sustained increase in

employment opportunities since 1993-94, although at a slower rate than in the earlier period. A notable feature is the sharp increase in the number of jobs created at regular salaried wage from 0.98 million per year in Period I to 1.68 million per year in Period II. This is a direct consequence of the step-up in the expansion of the manufacturing and services sectors, as already discussed. However, the pace of opening

up of employment opportunities for casual wage labour getting released from the agriculture sector has slowed down sharply in Period II. The annual increase in this category was 2.40 million in Period-I but which declined to 0.54 million in Period II, mainly reflecting the lower absorption in agriculture which was not offset by an expansion in other sectors.

**Table No.3**

**Annual Increase in Workforce by Category of Employment**

(CDS Basis) (Million)

Category of Employment	1983 to 1993-94	1993-94 to 2004-05
Self-employed	3.71 (52.39)	4.23 (65.57)
Salaried wage	0.98 (13.83)	1.68 (26.02)
Casual wage	<b>2.40</b> (33.78)	<b>0.54</b> (8.41)
Workforce	7.09 (100.00)	6.45 (100.00)

**Source: Computed on the basis of 61<sup>st</sup> round Of NSS data.**

In India the aggregate employment generation of 47 million work opportunities in the period 1999-2000 to 2004-05 was fairly close to the target of 50 million employment opportunities for the Tenth plan, the performance across sectors has varied. The achievement with respect to employment creation was short of the Tenth Plan target in the agriculture sector by 0.6 million persons (8.84 million increase against a target of 9.47 million). The increase in the manufacturing sector was short by 3 million persons (8.64 million increase against a target of 11.67 million) in trade, hotel, and restaurants by 0.53

million (10.70 million against a target of 11.23 million); and in transport and communication by 1.47 million (4.04 million, against a target of 5.51 million). In contrast, the construction, financial services, and community, social and personal services sectors exceeded the Tenth plan target of employment. In proportional terms, the largest shortfall in employment generation has been in manufacturing. Sector-Wise Performance and Targets Regarding Employment in Indian Economy Is Given In Table No.4

**Table No.4**

**Sector wise Performance and Targets of Employment**

(CDS Basis)

Sector	Incremental Employment (million)			
	Target (2002-07) (5 years)	Achievement (2000-05) (5 years)	Achievement (1994-2005) (11 years)	projected (2007-12) (5 years)
Agriculture	9.47	8.84	8.82	0.00
Mining and Quarrying	2.0	0.17	0.00	0.00
Manufacturing	11.62	8.64	14.84	11.94
Electricity, water, etc.	-0.21	0.18	0.00	0.02
Construction	6.3	6.44	10.05	11.92
Trade, hotel, and restaurant	11.23	10.70	2.67	17.40
Transport, storage, and comm.	5.51	4.04	7.64	9.02
Financial, insurance, real estate, and business services	1.93	3.12	4.31	3.43
Community, social, and personal services	0.49	4.59	2.62	4.34
Total	49.00	46.72	70.98	58.07

**Source: Eleventh five year plan (2007-12) Vol. I Planning Commission (GOI), p.67.**

A critical issue in assessing employment behavior of the economy is the growth of employment in the organized sector vis-a-vis the unorganized sector. Public debate on this issue is usually conducted on the basis that unorganized sector employment is generally of low quality while organized sector employment is of high quality, and the focus of attention is on whether employment has increased in the organized sector. The inadequacy of growth in the organized sector has traditionally been illustrated using data on employment by units registered with the Directorate General of Employment and Training, which are typically large units in the organized sector. These data are presented in Table no.5 and they clearly show that organized sector employment increased at the annual rate of 1.2% per year in the period 1983-1994, it actually declined at 0.3% per year in the period after 1994.

This decline is shown to occur primarily on account of a decline in employment in public sector units. Employment growth in the private sector units

has accelerated in the second period but the acceleration is clearly insufficient to offset the decline in public sector employment. This issue can be explored further on the basis of data from the NSS employment surveys in 1999-2000 and 2004-05 which distinguish individuals according to type of establishment and also type of labour conditions. The Tenth Plan was framed against the backdrop of concerns that were posed by the employment and unemployment survey in 1999-2000, which showed very low growth of employment compared with 1993-94. Jobless growth therefore became a key concern and the Plan set a target of creating 50 million new employment opportunities on a current daily status basis. (NSS 61<sup>ST</sup> Round.) The results of the 61st Round of NSS for 2004-05 reveal a somewhat better picture of employment growth in the Tenth Plan period than in the previous period. During 1999-2000 to 2004-05, about 47 million work opportunities were created as compared to only 24 million in the previous period 1993-94 to 1999-2000. Further, employment growth accelerated from

1.25% per annum during the period 1993-94 to 1999-2000 to 2.62% per annum during the period 1999-2000 to 2004-05. The annual increase in work opportunities increased from 4.0 million-per year in the first period to 9.3 million per annum in the second period.

## CONCLUSION

The basic weakness in our employment performance is the failure of the Indian economy to create a sufficient volume of additional high quality employment to absorb the new entrants into the labour force while also facilitating the absorption of surplus labour that currently exists in the agricultural sector, into higher wage, non-agricultural employment. A successful transition to inclusive growth requires migration of such surplus workers to other areas for productive and gainful employment in the organized or unorganized sector. Women agricultural workers in families where the male head has migrated, also require „special attention given the need for credit and other inputs if they are self-employed in agriculture or for wage employment if they do not have land. The approach to the Eleventh Plan had, identified the following specific weaknesses on the employment front which illustrate the general failing just discussed.

- The rate of unemployment has increased from 6.1% in 1993-94 to 7.3% in 1999-2000, and further to 8.3% in 2004-05.
- Unemployment among agricultural labour households has-risen-from 9.5% in 1993-94 to 15.3% in 2004-05.
- Under-employment appears to be on the rise, as evident from a widening of the gap between the usual status (us) and the current daily status measures of creation of incremental employment opportunities between the periods 1994 to 2000 and 2000 to 2005. While non-agricultural employment expanded at a robust annual rate of 4.7% during the period 1999-2000 to

2004-05, this growth was largely in the unorganized sector.

- Despite fairly healthy GDP growth, employment in the organized sector actually declined leading to frustration among the educated youth who have rising expectations.
- Although real wages of casual labour in agriculture continue to rise during 2000-2005, growth has decelerated strongly, as compared to the previous year.

Despite these positive features, it must also be noted that the labour force also grew faster in the second period. However, the pace of growth in labour force in the second period at 2.84% per annum exceeded the growth in the workforce (employment) of 2.62% per annum, so that the unemployment rate increased from 7.3% in 1999-2000 to 8.3% in 2004-05. Though the aggregate employment generation of 47 million work opportunities in the period 1999-2000 to 2004-05 was fairly close to the target of 50 million employment opportunities for the Tenth plan, the performance across sectors has varied. The achievement with respect to employment creation was short of the Tenth Plan target in the agriculture sector by 0.6 million persons (8.84 million increase against a target of 9.47 million). The increase in the manufacturing sector was short by 3 million persons (8.64 million increase against a target of 11.67 million) in trade, hotel, and restaurants by 0.53 million (10.70 million against a target of 11.23 million); and in transport and communication by 1.47 million (4.04 million, against a target of 5.51 million). In contrast, the construction, financial services, and community, social and personal services sectors exceeded the Tenth plan target of employment. In proportional terms, the largest shortfall in employment generation has been in manufacturing.

A critical issue in assessing employment behaviour of the economy is the growth of employment in the organized sector vis-a-vis the unorganized sector. Public debate on this issue is

usually conducted on the basis that unorganized sector employment is generally of low quality while organized sector employment is of high quality, and the focus of attention is on whether employment has increased in the organized sector. The inadequacy of growth in the organized sector has traditionally been illustrated using data on employment by units registered with the Directorate General of Employment and Training, which are typically large units in the organized sector. Employment growth in the private sector units has accelerated in the second period but the acceleration is clearly insufficient to offset the decline in public sector employment. This issue can be explored further on the basis of data from the NSS employment surveys in 1999-2000 and 2004-05 which distinguish individuals according to type of establishment and also type of labour conditions. The Tenth Plan was framed against the backdrop of concerns that were posed by the employment and unemployment survey in 1999-2000, which showed very low growth of employment compared with 1993-94. Jobless growth therefore became a key concern and the Plan set a target of creating 50 million new employment opportunities on a current daily status basis. The results of the most recent 61st Round of NSS for 2004-05 reveal a somewhat better picture of employment growth in the Tenth Plan period than in the previous period. During 1999-2000 to 2004-05, about 47 million work opportunities were created as compared to only 24 million in the previous period 1993-94 to 1999-2000. Further, employment growth accelerated from 1.25% per annum during the period 1993-94 to 1999-2000 to 2.62% per annum during the period 1999-2000 to 2004-05. The annual increase in work opportunities increased from 4.0 million-per year in the first period to 9.3 million per annum in the second period. Now that the NSSO has made available the rich household level data from the quinquennial and annual rounds of EUS, it should be possible to analyse the determinants of household labour supply, including occupational choice decisions and of labour demand decisions of producers such as farmers and owners of house hold

enterprises. Some Suggestion for better Employment opportunities is given as:

- Ensuring Minimum Conditions of Work in the Non-agricultural and Agricultural Sectors with a statutory national minimum wage for all workers.
- A universal national minimum social security scheme, as part of a comprehensive legislation covering life, health and disability, maternity and old age pension to protect the workers in the unorganised sectors.
- Special Programme for Marginal and Small Farmer for their growth.
- Immediate priority to and significant up-scaling of programmes for land and water management.
- Better Credit for Marginal and Small Farmers.
- Improve Credit Flow to the Non-agricultural Sector in economy.
- Encouraging SHGs and MFIs for Livelihood Promotion in poor States and in the backward areas.
- Creation of a National Fund (NAFUS) for Micro and small enterprises in agriculture and non agriculture sectors that are presently not reached by SIDBI and NABARD.
- Expand Employment through Strengthening Self-employment Programme.
- Universalize and Strengthen National Rural Employment Guarantee Act and programme like MNREGA.
- Increase Employability through Skill Development with training programme.

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