

EMPLOYMENT TRENDS IN INDIA-1983 TO 2009-10

Deepak Kumar

Assistant Faculty,
EDI of India

Vivek Bhatt

Assistant Faculty,
EDI of India

¹₁₅₇₅₀ABSTRACT¹₁₅₇₅₀

This paper is principally focused on the employment trends in India during 1983-2010 with a focus on the latest employment figure from NSS, 2009-10. The results indicate that Work Participation Rate has declined for all segments of population except rural male, particularly in 2009-10. Among the industrial distribution, agriculture and manufacturing made negative contributions to the increase in employment, whereas construction played the dominant role followed by finance, insurance and real estate and business services and electricity, gas and water sector. The proportion of both male and female in both the areas engaged in the agricultural activities gradually fell. On the other hand, there has been an increase in the proportion of both male and female engaged in industrial and services sector. In terms of status of employment, SE group has declined with the increasing share of CL and RW employment where the CL benefited most of it.

Introduction

Employment has featured as an important item in the development agenda in India. But the experience of the last one and half decades in India showed that employment opportunities created were inadequate inspite of rapid growth. The past literature like Datt (1994), Bhattacharya and Mitra (1997), Sundaram (2001), Chadha (2001), Visaria (2002), Bhattacharya and Sakthivel (2004), Papola (2005), Unni and Raveendran (2007), Dev (2008), Bhalla (2009), Chandrasekhar and Ghose (2010) have also suggested that the impact of economic reforms on employment has somehow influenced employment growth positively in the short-run, but in long-run the impact is negative to the economy. In this regard, a major objective of this section is to analyse the employment trends in the economy by usual status

approach from the latest Key results of NSS 2009-10 Employment-Unemployment data.

Labour force, Work force and Unemployment Trends in India

Employment situation underwent some significant changes in response to the accelerated growth of various sectors of the economy. NSSO has released the recently 66th round key results on employment and unemployment for the year 2009-10. Trends in Labour Force Participation Rates (LFR) and Work Force Participation Rates (WPR) for a long period are presented in figure.1 and 2. It shows that the LFPRs have declined during the post-reform period over pre-reform period indicating a decline in the WPRs in post-reform. The overall WPRs was around 42 percent during pre-reform period, but it declined significantly to below 40 percent in post-reform phase due to more

declining participation rate in 1999-00 and 2009-10. In the sub-period of post-reform phase, WPR has declined from 41.9 percent in 2004-05 to 39.2 percent in 2009-10. It is due to decline in participation rate for both rural and urban areas. While looking at the four population segments, WPRs were declined for rural male and rural and urban females whereas there is increasing WPRs in urban males during post-reform phase (see Figure.3). But the recent 2009-10 data reveals that except rural male rest of the segments of population has shown a declining rate while compared to 2004-05. The decline in female participation is due to attaining higher education, particularly in urban areas. It is also seen that urban female WPRs have remained markedly lower than the rural. This difference partly reflects the greater difficulty of combining work with household duties in urban areas rather than in villages where work on the family farm or in the family enterprise tends to be the predominant activity. With the gradual disappearance of rural-urban differences in occupational structures, and the growing diversification of rural employment, the disparities in WPRs between the different population segments are bound to diminish.

On the basis of the WPRs reported by the NSSO for its various quinquennial survey period, we attempted an estimation of the work force corresponding to each round, which is presented in table.1. It is observed that 66th round of NSS showed a marginal

increase in the number of work force (i.e. only half of million) as compared to 61st round. This is due to decline in employment in the rural areas led by a sharp fall in the employment of rural females. There has been a marginal increase in urban employment due to an increase in male employment, while female employment has come down. In terms of growth, we have seen that Indian economy registered a growth rate of employment of 1.55 percent per annum during the period 1983 to 2009-10. Before the reform period of the economy, growth rate of employment was 1.95 percent during 1983 to 1993-94. But there took place a dramatic deceleration of employment growth to 1.27 percent during the post-reform period i.e. 1993-94 to 2009-10. Such deceleration of employment growth has occurred due to a massive fall in employment growth (i.e. 0.02) in medium term phase i.e. 2004-05 to 2009-10, despite a higher output growth in the Indian economy in the same year. In terms of four population segments, employment growth is declining in each segment during post-reform period as well as in 2009-10. The declining growth of employment in 2009-10 is due to a negative growth in rural and urban female work forces.

III. Industrial Distribution of Employment by Gender and Area

The present content discusses the changes in the structure and distribution of employment over the years in terms of three industrial sectors and each sector

representing a broad group of industry. From the table.2, it is noted that the majority of work forces are engaged in agricultural sector followed by services and industrial sector. The ground lost by the agricultural share of employment has been largely gained by the service sector followed by industrial sector. The recent data reveals that agricultural employment share has declined from 56.5 percent in 2004-05 to 51.75 percent. Industrial and services sector are showing an increasing share from 18.70 and 24.79 percent to 21.95 and 26.29 percent respectively. Among the industry, manufacturing sector whose employment share is higher shows a declining rate in 2009-10 at an aggregate as well as both in rural and urban areas. But the rest of the industrial sectors are having an increasing share, where construction sector is largely benefited from this (where rural area is almost 100% due to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) effect which mainly involves construction work). Among the service sector, all the sub-sectors are having an increasing share in 2009-10 compared to 2004-05, where trade sector absorbs majority of work forces followed by community and social services.

In terms of growth, in India industrial employment has increased at 3.32 percent, which is higher than the other two sectors (agriculture at 0.51 percent and services at 3.07 percent) during 1983 to 2009-10. While comparing the two reform periods, we have

seen that except industrial sector, rest two are having a declining growth rate during post-reform period. For the industry, only construction sector shows a higher employment growth, where manufacturing sector grew at a declining rate. Within the services sector, employment growth is highest in finance, insurance, and business services, followed by transport services. But the decline in services employment in post-reform phase is accounted by a massive fall in growth of community, social and personal services. During 2009-10, agriculture and manufacturing made negative or negligible contributions to the increase in employment, whereas construction played the dominant role followed by finance, insurance and real estate and business services and electricity, gas and water sector. We have also seen that the small contributions made by the commodity producing sectors to employment increases are disappearing, making the system dependent on construction and services, especially the former.

While looking at the four population segments in the figure.3, it reflects that during 2009-10 in rural areas, about 63 per cent of the males and 79 per cent of the females were engaged in the agricultural sector. The proportion of males engaged in the agricultural activities gradually fell from 77.5 per cent in 1983 to 66.5 per cent in 2004-05, and then to 62.8 per cent in 2009-10. On the other hand, in the case of female workers, the proportion engaged in the agricultural

activities decreased from 87.5 per cent in 1983 to 83.3 per cent in 2004-05 and presently to 79 per cent. Over the years, in rural India, there has been an increase in the proportion of males engaged in industrial sector followed by services. In urban areas, service sector engaged about 59.3 per cent of the male workers while industrial sectors accounted 34.6 percent. On the other hand, for urban females, service sector accounted a higher proportion of work force with 52.8 per cent which has increased significantly compared to 2004-05. Since 1983, the proportion of urban females employed in agricultural sector fell by about 18 percentage points. The percentage of urban females employed in industrial sector increased from 29.1 points in 1993-94 to 33.3 points in 2009-10.

Over all it shows that there is a fall in employment in agriculture, but the share is still high. In order to raise the employment growth in this sector particularly in rural India, the possibility of opening up of trade in agricultural commodities holds significant prospects. Agro-processing based on animal, husbandry, horticulture, and floriculture holds tremendous prospects for exports in the long run. There is also a greater opportunities for expanding industrial sector by boosting construction activities both for rural and urban areas. The other services sector may also create more employment opportunities in the economy by depending on its states' capacity.

IV. Status of Employment by Gender and Area

In the NSSO terminology, status of employment refers to whether the worker is self-employed (SE), regularly wage employed (RW) or casual labour (CL). This is basically a classification based on the quality of employment, though there are other issues relating to quality. While regular employment is the most secure form of employment, casual labour is the least secure. The composition of employment status as presented in table.3, suggests that bulk of employment (approximately 51%) falls in the category of SE followed by CL (almost 33%) and RW (16%) during the year 2009-10. It is important to note that over the year (i.e. 1983 to 2009-10) as well as the sub period of post-reform phase (i.e. in 2004-05 to 2009-10) with the decline in share of SE groups, there has been an increasing share of CL and RW employment where the former benefited most of it than the latter. Among the four segments of the population groups during 2004-05 to 2009-10, the proportion of SE declined in all segments except urban males. While the proportion of SE work force among rural males declined from 28.92 to 27.07 percent, the corresponding proportion for rural females declined from 16.76 to 12.70 percent. It is thus clear that the decline in SE was predominantly a rural phenomenon. Such phenomenon is that the fall in the proportion of the SE was due to the decline in the size of land holdings and the

consequent rise in the share of small and marginal holding in the country as a whole. In the urban areas, SE for males has been increasing significantly since 1983. The proportion of RW work forces in 2004-05 to 2009-10 increases in all segments of population except rural males. The possible reason for the deceleration in the growth of RW of males might be the lower growth of public sector employment during the post-reform period. While looking at the CL category, rural areas particularly for male group have shown an increasing share. It is because cultivators with marginal and small holding work for a major part of the year as agricultural labourers and get counted as casual labourers who involved in the work relating to NREGA.

V. Major Findings

- In terms of employment growth point of view, it is evident that WPR has declined due to decline in participation rate for all segments of population except rural male, particularly in 2009-10.
- Looking at the industrial distribution, we have seen that except industrial sector, rests of the two are having a declining growth during post-reform period. In the period 2009-10, agriculture and manufacturing made negative contributions to the increase in employment, whereas construction played the dominant role followed by finance, insurance and real estate and

business services and electricity, gas and water sector.

- While looking at the four population segments, the proportion of both male and female in both the areas engaged in the agricultural activities gradually fell. On the other hand, there has been an increase in the proportion of both male and female engaged in industrial and services sector.
- It is the urban sector where employment share for male and female participation have gone up in services sector followed by industry.
- In terms of status of employment, SE group has declined with the increasing share of CL and RW employment where the CL benefited most of it.

References

Bhalla, G.S (2009), "Globalisation and Employment Trends in India", in Krishnamurty J and Mamgain P. (eds) '*Growth, Employment and Labour Markets: Perspectives in the Era of Globalisation in India*', Daanish Book Publications, New Delhi.

Bhattacharya, B.B and Arup Mitra (1997), "Changing Composition of Employment in Tertiary Sector: A Cross-Country Analysis", *Economic and Political Weekly*, March 15, pp. 529-534.

Bhattacharya, B.B and S. Sakthivel (2004), "Economic Reform and Jobless Growth in India in the 1990's", Working Paper No. 245, Institute of Economic Growth, New Delhi.

Chadha, G.K (2001), "Impact of Economic Reforms on Rural Employment: No Smooth Sailing Anticipated", *Indian Journal of Agricultural Economics*, Vol. 56, No.3, July-September.

Chandrasekhar, C.P and Jayati Ghose (2010), "Employment under the New Growth Trajectory", *Macroscan*, December 22.

Chandrasekhar, C.P and Jayati Ghosh (2011), "The Latest Employment Trends from the NSSO", *Business Line*, 12 July.

Chowdhury, Subhanil (2011), "Employment in India: What Does the Latest Data Show?", *Economic and Political Weekly*, Vol. XLVI, No.32, August 6, pp. 23-26.

Datt, Ruddar (1994), "Jobless Growth: Implications of New Economic Policies", *Indian Journal of Industrial Relations*, Vol. 29, No. 4, pp. 407-427.

Dev, S. Mahendra (2008), "Employment: Trends, Issues and Policies", in *Inclusive Growth: Agriculture, Poverty and Human Development* (eds.), Oxford University Press, New Delhi.

Ghose (1994), "Employment in Organised Manufacturing in India", *Indian Journal of Labor Economics*, Vol. 37, No. 2, pp. 141- 62.

Government of India, (2009), "*Report on Effects of Slowdown on Employment in India*", Ministry of Labour and Employment, January.

Murthy, R V Ramana and Deepak K. Behera (2009), "Employment Potential in India's Service Sector: In the Post-liberalisation Period in India", *Indian Journal of Economic*, Vol. LXXXIX, No. 355, pp. 599-618.

National Sample Survey Office (2006), "Employment and Unemployment Situation in India: 2004-05", NSS 61st Round (July 2004-June 2005) Report No.515, Ministry of Statistics and Programme Implementation, Government of India, September.

National Sample Survey Office (2011), "Key Indicators of Employment and Unemployment in India, 2009-10", Ministry of Statistics and Programme Implementation, Government of India, June, 24.

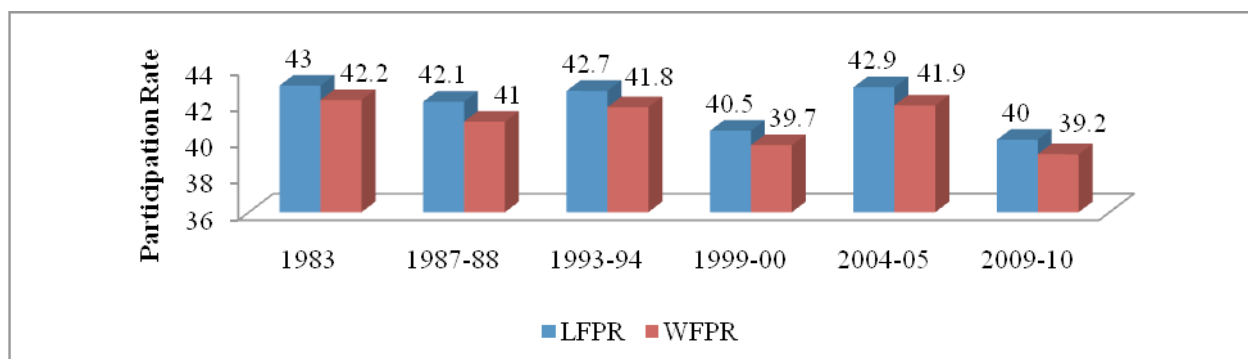
Papola, T.S (2005), "Emerging Structure of Indian Economy: Implications of Growing Inter-sectoral Imbalances", Presidential Address in 88th Conference of The Indian Economic Association, Andhra University, Vishakhapatnam, December 27-29.

Sundaram, K (2001), "Employment-Unemployment Situation in the Nineties: Some Results from NSS 55th Round Survey", *Economic and Political Weekly*, March 17, pp. 931-940.

Unni, Jemmol and G Raveendran (2007), "Growth of Employment (1993-94 to 2004-05): Illusion of Inclusiveness", *Economic and Political Weekly*, January 20, pp.196-199.

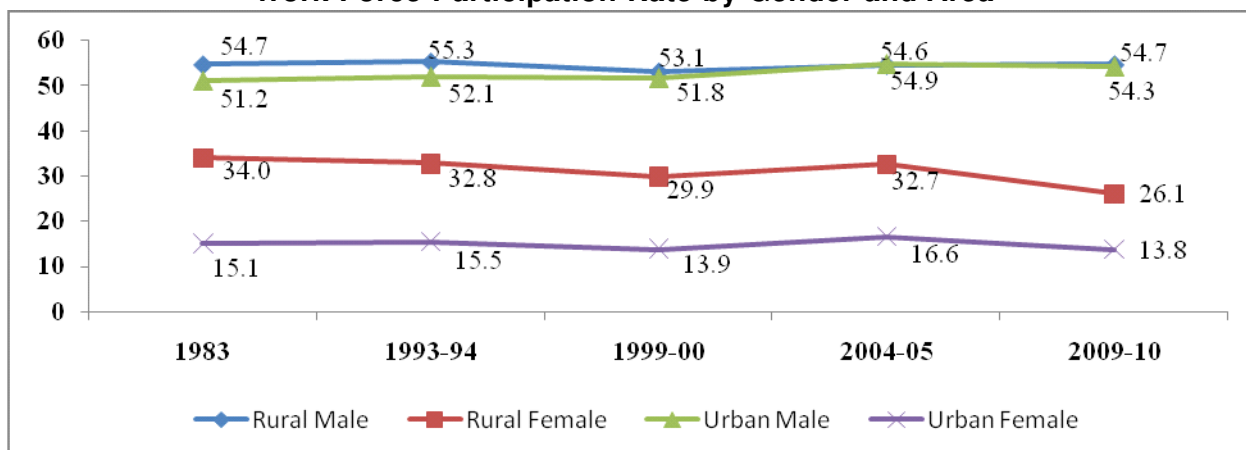
Visaria, Pravin (2002), "Workforce and Employment in India, 1961-94", in Minhas, B.S (ed.), *National Income Accounts and Data Systems*, Oxford University Press, New Delhi.

Fig.-1
Labour Force and Work Participation Rate in India



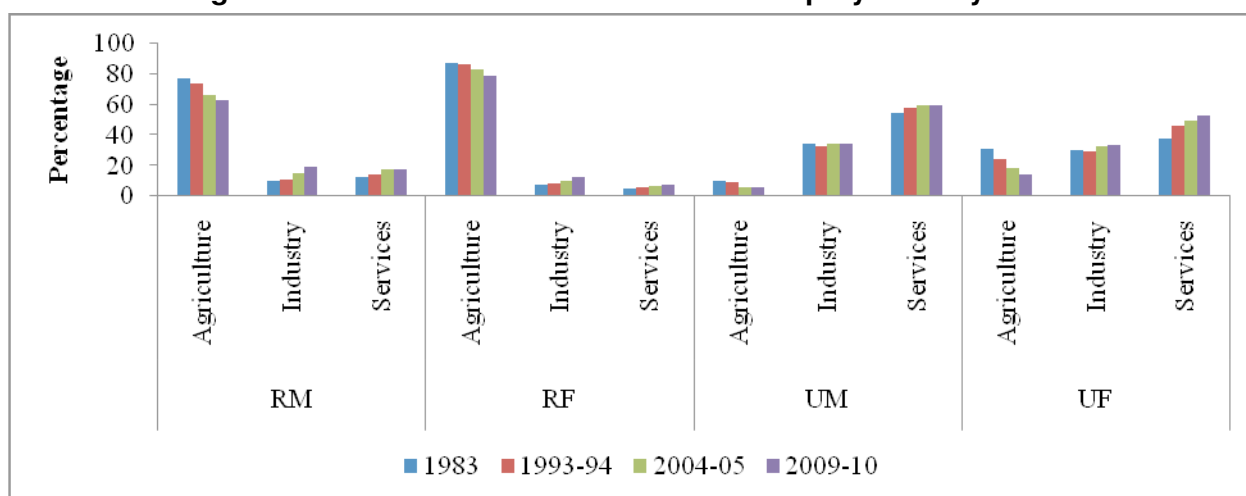
Source: various rounds of NSS and Key Indicators of Employment and Unemployment in India, 2009-10

Fig.2
Work Force Participation Rate by Gender and Area



Source: Same as Figure.1.

Fig.-3
Percentage Share of Industrial Distribution of Employment by Area and Gender



Source: Same as Figure.1

Table-1

Distribution of the work force by gender and location of residence in India

Year	Rural			Urban			Total
	Male	Female	Total	Male	Female	Total	
Number of Work Force (in Million)							
1983	153.49	90.45	243.94	46.64	12.17	58.81	302.75
1993-94	187.66	104.29	291.95	65.10	17.40	82.50	374.45
1999-00	198.81	105.91	304.72	75.64	18.27	93.91	398.63
2004-05	218.85	123.96	342.81	90.42	24.62	115.04	457.85
2009-10	231.9	104.5	336.4	99.8	22.2	122	458.4
Compound Annual Growth Rates (%)							
1983 to 1993-94	1.84	1.30	1.65	3.08	3.30	3.12	1.95
1993-94 to 1999-00	0.97	0.26	0.72	2.53	0.82	2.18	1.05
1999-00 to 2004-05	1.94	3.20	2.38	3.63	6.15	4.14	2.81
2004-05 to 2009-10	1.17	-3.36	-0.38	1.99	-2.05	1.18	0.02
1993-94 to 2009-10	1.33	0.01	0.89	2.71	1.53	2.48	1.27
1983 to 2009-10	1.54	0.54	1.20	2.86	2.25	2.74	1.55

Source: Same as Figure.1

Table-2

Percentage Share and Rate of Growth in Employment by Sector

Sectors	Percentage Share					CAGR					
	1983	1993-94	1999-00	2004-05	2009-10	1983-93	1993-1999	1999-04	2004-09	1993-09	1983-09
Agriculture	68.52	63.84	60.27	56.5	51.75	1.34	0.1	1.47	-1.72	-0.05	0.51
Mining	0.6	0.72	0.57	0.56	0.6	3.58	-2.8	2.44	1.56	0.17	1.55
Manufacturing	10.7	10.68	10.99	12.2	11.41	1.97	1.56	4.96	-1.31	1.69	1.81
Electricity	0.28	0.37	0.26	0.26	0.31	4.69	-4.57	2.88	3.05	0.07	1.93
Construction	2.24	3.24	4.4	5.68	9.63	5.46	6.35	8.14	11.17	8.4	7.19
Industry	13.83	15.01	16.22	18.7	21.95	2.75	2.39	5.75	3.28	3.71	3.32
THR	6.33	7.61	10.26	10.83	11.17	3.71	6.23	3.89	0.65	3.73	3.72
TSC	2.49	2.88	3.67	4.06	4.45	3.34	5.29	4.84	1.87	4.07	3.77
FIRB	0.7	0.98	1.24	1.7	2.22	5.09	5.2	9.41	5.55	6.61	5.99
CSP	8.13	9.69	8.32	8.21	8.45	3.63	-1.47	2.52	0.59	0.41	1.71
Services	17.65	21.15	23.5	24.79	26.29	3.68	2.86	3.89	1.2	2.66	3.07

Note: CAGR- Compound Annual Growth Rate. THR- Trade, Hotel and Restaurant; TSC- Transport, storage and Communication; FIRB- Finance, Insurance, Real-estate and Business Services; CSP- Community, Social and Personal Services.

Source: Same as Figure.1.

Table-3

Percentage Share of Employment by Status

Year	Rural Male	Rural Female	Rural Total	Urban Male	Urban Female	Urban Total	Total
Self-Employed							
1983	29.46	19.03	48.49	6.90	1.92	8.82	57.31
1993-94	28.92	16.32	45.24	7.25	2.13	9.38	54.62
1999-00	29.23	16.15	45.38	7.91	2.16	10.07	55.45
2004-05	28.92	16.76	45.68	8.08	2.46	10.54	56.22
2009-10	27.07	12.70	39.76	8.95	1.99	10.94	50.70
Regular Wage Salaried							
1983	4.56	1.11	5.67	6.25	1.43	7.69	13.35
1993-94	4.26	0.75	5.01	7.30	1.32	8.62	13.63
1999-00	4.99	0.98	5.97	8.29	1.26	9.55	15.52
2004-05	4.92	0.76	5.68	8.63	1.39	10.02	15.70
2009-10	4.30	1.00	5.30	9.12	1.90	11.03	16.33
Casual Labourer							
1983	16.68	9.74	26.42	2.25	0.67	2.92	29.34
1993-94	16.94	10.78	27.72	2.83	1.20	4.03	31.75
1999-00	15.66	9.43	25.09	2.77	1.16	3.93	29.03
2004-05	13.96	9.56	23.51	3.04	1.53	4.57	28.08
2009-10	19.22	9.10	28.32	3.70	0.95	4.65	32.97

Source: Same as Figure.1