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## JOBLESS GROWTH IN INDIA IN 2000's

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## ABSTRACT

Despite high growth in output there has been a deceleration in employment growth in the post reform period especially in the second half of the 2000 decade. Whether it is the 1<sup>st</sup> half of the decade the employment growth has been driven by distress factors. It is the entering of the women labour force which causes the acceleration in participation rate and withdrawal of women labour force from the labour market which cause in deceleration in employment growth. It also shows over the year enhancement of enrolment in education among the young age groups and especially the women. The agriculture and manufacturing sector shows a decline in employment growth where as the construction and service sector shows a positive employment growth. In terms of quality of employment the 1<sup>st</sup> half of the decade shows increase in self employment while the second half of the decade shows increase in casual labour. The trend shows the increase in unorganized sector employment and decrease in organized sector employment which raises questions on the quality of jobs created. While unemployment is not a problem in India it is the under employment which needs more concern.

## KEYWORDS

jobless growth, distress factors.

## INTRODUCTION

Economic growth is inclusive only when it improves the employment conditions of the masses of workers. Poverty can be reduced from an economy by enhancing the employment of the masses. It could be argued that the economic reform would bring the economic growth, enhancement of employment and reduction of poverty and inequality. But the economic reform in India shows in other way. Though the economic reform results in growth in output it fails to enhance the employment growth. Though it has been increases by a smaller extent it is in the unorganized sectors and questioning the quality of jobs created. In India the model of growth and employment is not as it would be in developing countries. Though growth in output and movement of labour took place, it is not in the same order as proposed by Arthur Lewis i.e. from Agricultural-Industry- Service rather it happens from agriculture to service. The industrial sector especially the manufacturing sector remains stagnant in terms of employment creation. Though the agricultural share has been declining still around 60% of the population depends on this sector showing underemployment situation in agricultural sector in India. In terms of growth the service sector has done well over the year but the labour absorbing capacity of this sector is very low. The economic reform in India achieved a higher growth rate through increase in technology, productivity but in terms of employment generation it lacks behind. The employment has been increasing in the sector having lower productivity. While the 1<sup>st</sup> half of the 2000's decade shows an increase in employment by 59 million the 2<sup>nd</sup> half of the 2000's decade shows an increase by only 1.25 million. The higher employment in the 1<sup>st</sup> half decades is due to the enhancement in self employment job by women and the decline in the 2<sup>nd</sup> half is due to the withdrawal of women worker from labourmarket. While the first half shows enhancement of self-employment the 2<sup>nd</sup> half shows the increase in casualisation of the labour. Many researchers have described the phenomenon of "jobless growth" as (Sundaram 2001, Chadha&Sahu 2002, Bhattacharya &Saktivel 2004, Unni& Raveendran2007). Hence it became important to know what are the factors which cause a decline in employment growth or decline in employment elasticity though output increases at a faster rate.

## OBJECTIVES

- Growth in output & employment in the post reform era.
- Nature of employment in the post reform era.
- Relationship between productivity and employment elasticity.

## DATA AND METHODOLOGY

In order to examine the above objectives the present study uses the data sets covering the period from 1993-94 to 2009-10. The output data have been collected from the National Account Statistics (NAS) and the employment data has been collected from the National Sample Survey Organisation (NSSO). This paper uses the 2004-05 as the base price for the output and its components. For employment status the usual status (principal & subsidiary) approach have been followed. The compound annual growth rate both for the output and employment has been calculated.

The section 1 of this paper discusses the broad trends of output of the Indian economy. Section 2 discusses the growth in employment of the economy shows the divergence trends in the 1<sup>st</sup> and 2<sup>nd</sup> half of the 2000's decades. Section 3 tries to explain the nature of employment after the post reform especially in the 2000's decade. Section 4 discusses the relationship between the productivity and employment elasticity in each sectors and section 5 concludes the paper.

## STRUCTURE AND GROWTH OF OUTPUT IN THE ECONOMY

The economic reform has achieved a higher growth rate in output in India. The growth in output peaked to 7% after the economic reform from 1993-94 to 2009-10 which is higher than the pre reform 1983-93 growth rate of 5.26% which is the result of higher growth of the non-agricultural sector especially the service sector. The Indian agriculture has seen a drastically fall in the output growth due to heavy reduction in the institutional credit, subsidies, and hence increasing the cost of production. Over this post reform period the growth rate of output is 2.68 % which is lower than the pre reform growth of 3.41%. With the introduction of new economic policy regime, the industrial sector registered a growth rate of more than 7% during the post reform period as against 5.56% during the pre reform period. Among the sub sector the construction sector recorded higher growth during the post reform period as compared to pre reform period followed by the manufacturing sector. The service sector has grown by 8.66% during the post reform period as against 6.45% during the pre reform period. This growth rate is due to growth in transport, communication, trade-hotel& restaurants. Over the year the agricultural share has been declined drastically now it remains around 15% of the total income where as the service sectors share has been increasing drastically after reform which is now around 55% of the national income. The industrial sector increases its share marginally which now account 30% of the national income.

TABLE 1: GROWTH RATE OF SECTORAL OUTPUT IN INDIA

Sectors/Year	1983 to 1993-94	1993-94 to 1999-00	1999-00 to 2004-05	2004-05 to 2009-10	1993-94 to 2009-10	1983 to 2009-10
Agriculture & Allied Sectors	3.41	3.31	1.58	3.05	2.68	2.98
Manufacturing	5.41	6.90	6.46	9.50	7.57	6.68
Construction	4.92	6.36	9.17	9.23	8.13	6.81
Industry	5.56	6.57	6.80	8.75	7.32	6.60
Services	6.45	8.34	7.43	10.31	8.66	7.76
Total	5.26	6.54	5.99	8.62	7.01	6.29

Source: Computed from National Account Statistics 2007, 2011.

**STRUCTURE AND GROWTH OF EMPLOYMENT IN THE ECONOMY**

Low labour participation rate (LPR) and work participation rate (WPR) have been persistent characteristics of India's labour market. In 2008, the LPR in India was only 56% compared to 74% in China and 71% in Brazil (Thomas, J.J. 2012). The LPR indicates proportion of population that is economically active, including employed and unemployed but actively seeking for jobs. The expansion of working age population and the emergence of new economic opportunities can lead to rise in the LPR and WPR. At the same time the increase in school and college enrolments can result in fall in LPR. The LPR & WPR declining in the post reform era over the pre reform era from 42% to 40%. The WPR declines for rural male, and rural & urban females. Where for the urban males it shows an increasing trends. The decline in female participation is due to the fact that women are now attaining higher education particularly in urban areas. It has been seen that the urban female WPRs have remained markedly lower than the corresponding rural figures.

The employment growth slowed down sharply during the 1990's especially in rural areas. The net increase in employment in India was 71 million between 1983 and 1993-94 but fell to 24 million between 1993-94 and 1999-00. There was a predominance of casual worker in the employment generated in the 1990's. During the first half of 2000's (1999-00 to 2004-05) employment growth in India revived with a net increase in 59.5 million new jobs and with a significant jump in self employment especially among the women in agriculture. While during the same period the quality of employment suffered a decline. The latest round of NSS in 2009-10 indicated that the employment generation in the Indian economy slowed down sharply again by creating only 1.25 million jobs over the 2<sup>nd</sup> half of the 2000's decade. The slowed down in the employment growth occurred during a time when the country's economic growth showed a distinct acceleration. The rate of employment generation in India during the post reform fell short in comparison to the pre reform period. The new job created between 1993-94 and 2009-10 is 5.3 million per year in comparisons to 6.8 million in the pre reform era between 1983 and 1993-94.

**TABLE 2: DISTRIBUTION OF WORKFORCE BY GENDER AND LOCATION**

Year	Rural			Urban			Total
	male	female	total	male	female	total	
Number of workforce 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	65.1	17.4	82.5	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							
1983 to 1993-94	1.84	1.3	1.65	3.08	3.3	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	3.2	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	1.2	2.86	2.25	2.74	1.15

Source: Computed from various rounds of NSS Reports of Employment & Unemployment in India

Majority of the workforce are engaged in the agricultural sector despite declining share of this sector. The declined in employment share of the agricultural sector moves to the service sector without much adding to the industrial sector which missed the transformation trajectory. Within the industrial sector the manufacturing sector which has a higher share of employment has shown a declining trends in the 2009-10 where as the construction sector has been benefited a lot from the reform and especially due to the introduction of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Within the service sector the highest employment growth has been recorded in finance, insurance, business service and transports. The service sector is unable to absorb the surplus labour from the agricultural sector.

**TABLE 3: PERCENTAGE SHARE AND GROWTH OF INDUSTRIAL EMPLOYMENT**

Year	A&A	MNF	CON	Industry	Service
1983	68.52	10.7	2.24	13.83	17.65
1993-94	63.84	10.68	3.24	15.01	21.15
1999-00	60.27	10.99	4.4	16.22	23.5
2004-05	56.5	12.2	5.68	18.7	24.79
2009-10	51.75	11.41	9.63	21.95	26.29
1983 to 1993-94	1.34	1.97	5.46	2.75	3.68
1993-94 to 1999-00	0.1	1.56	6.35	2.39	2.86
1999-00 to 2004-05	1.47	4.96	8.14	5.75	3.89
2004-05 to 2009-10	-1.72	-1.31	11.17	3.28	1.2
1993-94 to 2009-10	-0.05	1.69	8.4	3.71	2.66
1983 to 2009-10	0.51	1.81	7.19	3.32	3.07

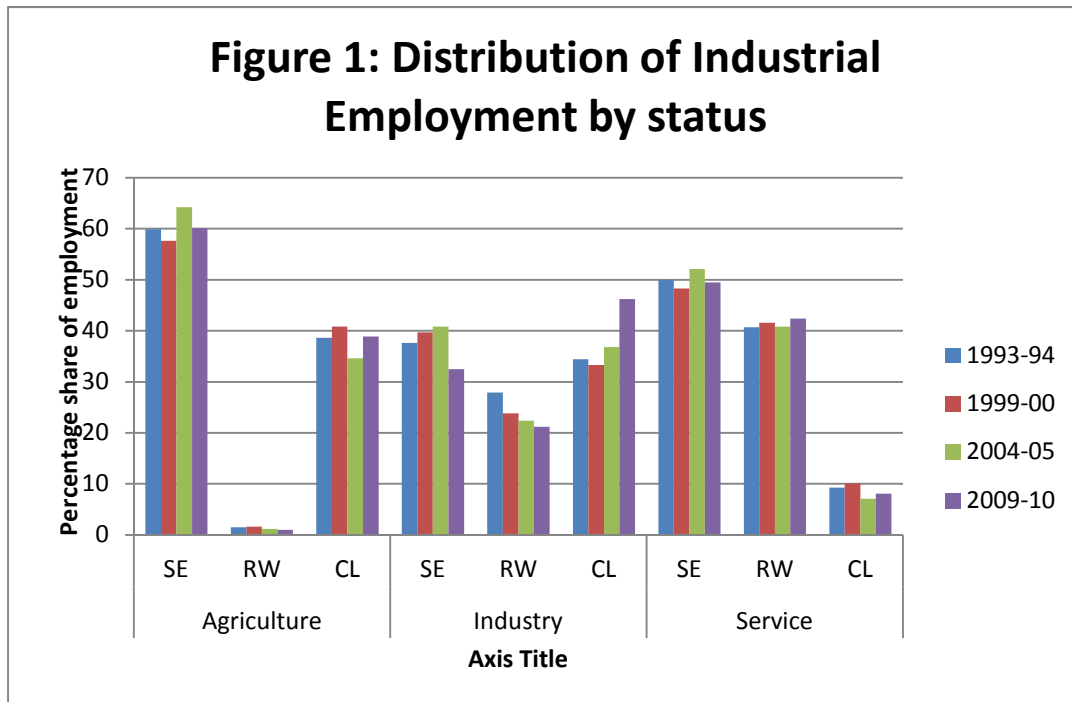
Source: Computed from various rounds of NSS Reports of Employment & Unemployment in India

**NATURE OF EMPLOYMENT IN INDIA**

The additional employment generated does not lead to any economic development until the quality of employment is enhanced. The work categories has been divided as self-employed (SE), regular salaried employment (RW), casual labour (CL). While the regular employment has the social security benefit and hence more secure and casual labour is least secure. In India around 51% of the population are engaged in self-employment categories, 33% in casual labour followed by 16% regular labour according to the 66<sup>th</sup> NSS round data. In the 2000's decade it has been seen that the 1<sup>st</sup> decade shows the increase in self employment and the 2<sup>nd</sup> half shows the decline in self employment and increase in the casualization. The quality of employment can also be measured by the nature of employment i.e. whether the work is under organized or unorganized categories. Whereas the first one gives the security the second one does not. While the organized sector consist only 8% of the total workforce the unorganized sector consists of the other 92%. Though in the post reform era both the employment shows a declining trends. The deceleration in the organized sector employment is due to the slowdown in the employment in the public sector. The marginal increase in employment in India between 2004-05 and 2009-10 is the result of two opposing trends of labour absorption – an absolute decline of 21.1 million workers engaged in agriculture and a modest increase of 22.3 million workers in the non-agricultural sectors. Between 1999-00 and 2004-05 the persons who have joined in the agricultural labour force around 16.8 million of 18.5 million are self employed women who have joined in labour force to supplement their household income. Between 2004-05 to 2009-10, 22 million left the agricultural works due to improvement in economic condition of rural India, of which 19 million are self-employed. Another reason for slow growth in workforce during the 2<sup>nd</sup> half of the 2000's decade was faster expansion of population of students. The increase in ratio of students to total population in India is from 20.5% in 1993-94 to 26.6% in 2009-10. From 2004-05 to 2009-10 seen an enhancement of higher secondary education especially in rural areas and among the young's between 15-19 years. With increase in education the unemployment rate increases



which became a problem for the Indian economy. The higher educated youths who are aspiring for higher wage jobs didn't get it and remains unemployed. In Kerala this type of unemployment is higher among all the states in India.



Source: Computed from various rounds of NSS Reports of Employment & Unemployment in India

**PRODUCTIVITY AND EMPLOYMENT ELASTICITY**

The output growth may generate employment but incremental employment growth depends on the growth of productivity and the technology (capital-labour ratio). The productivity has been increasing during the post reform phase in comparison to the pre reform phase. The increase in productivity is accompanied by increase in growth of output and decline in employment growth. The service sector grew at a higher rate than the agriculture and industry. In the construction sector the employment growth has been faster than the output growth causing a decline in productivity. The manufacturing sector shows a negative employment growth but it has a higher productivity growth. This implies that there is a tradeoff between employment growth and productivity. The largest share of productivity growth has been witnessed in the service sector which also shows faster growth rate in the post reform period. The positive effects of productivity can be nullified if the capital labour ratio rises faster. There is a substantial decline in the employment elasticity in the post reform period. The construction sector display the highest employment elasticity followed by finance and real estate sector. The employment elasticity of the output in the agricultural sector, where the largest share of workers is engaged has been declining drastically. The employment elasticity of the manufacturing sector shows declining trends during the post reform period. Over all there is a declining labour absorb capacity of the economy during the post reform period.

**TABLE 4: EMPLOYMENT ELASTICITY OF DIFFERENT SECTORS**

Sector/Year	1983 to 1993-94	1993-94 to 1999-00	1999-00 to 2004-05	2004-05 to 2009-10	1993-94 to 2009-10	1983 to 2009-10
Agricultural	0.39	0.03	0.93	-0.56	-0.02	0.17
Manufacturing	0.36	0.23	0.77	-0.14	0.22	0.27
Construction	1.11	1	0.89	1.21	1.03	1.06
Industry	0.49	0.36	0.85	0.37	0.51	0.50
Service	0.57	0.34	0.52	0.12	0.31	0.40
Total	0.37	0.16	0.47	0	0.18	0.25

Source: Computed

**CONCLUSION**

In conclusion it can be said that though the economic reform brought growth in the Indian economy it is not in the pattern followed by the developing countries i.e. from agriculture-industry-service. The growth pattern and the employment pattern which the Indian economy follows is agriculture –service and lacking the industrial sector. The growth in the post reform era is driven by productivity growth with the sophisticated technology. Hence in terms of employment growth it has been showing very slow growth rate even in some sector a declining growth rate. In India though the unemployment is not high the underemployment is very high as lot of people depends on the agricultural sector which has shown a slow growth rate and a negative employment growth rate. The Indian economy also seen huge young educated unemployed. Hence what the government of India needs is not just creation of the employment through various employment programme rather creation of quality of employment. Hence we need both quantitative as well as qualitative employment. The agricultural sector are no more able to absorb the labour that's why what we need is the creation of small scale industries which needs more of labour and less of capital.

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